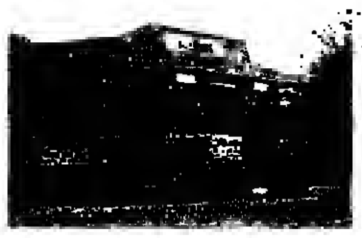
FINANCIAL TIMES

World Business Newspaper http://www.FT.com TUESDAY MARCH 4 1997

Portugal *Natural gas arrives* Page 6

The US and Emu *A slowly dawning awareness* Page 3



Alternative fuels *Pressure on petrol and diesel* Technology, Page 24

Zambia *Standing on the threshold* Survey, separate section

Thailand halts trading in financial stocks

Dealing in banking and other finance stocks was suspended in Bangkok as the Bank of Thailand ordered banks and finance companies to raise provisions for dubious loans and asked 10 finance companies to boost capital to lift shaky confidence in the industry. Finance minister Amnuay Viravan estimated that the 15 domestic banks would need to set aside an extra Baht 24bn ($930m) of provisions for loans not serviced for more than three months, while finance companies would have to raise another Baht 25bn of provisions. Page 16; Deadly financial cocktail, Page 4; Editorial Comment, Page 15; Lex, Page 16

Washington warns Beijing: Senior US treasury official Lawrence Summers warned Beijing that any mishandling of Hong Kong's transition to Chinese sovereignty would harm its own interests as well as the territory's economy. He also said China's plans to replace the existing legislature and amend civil liberties laws had raised concerns. Page 4

Former Banesto bank chief stands trial:

Mario Conde, left, ex-chairman of Spain's failed Banesto bank, went on trial in Madrid accused of misappropriating Pta600m ($4.2m). The High Court's investigating judge said he and his collaborators hid the true financial state of Banco Español de Crédito-Banesto, which had a Pta605bn deficit in 1993, and were to blame for the bank's crisis. Page 2

Move on Peru hostages: Peru's President Alberto Fujimori said Cuba had agreed to offer asylum to Marxist rebels holding 72 hostages in Lima should Japan and Peru formally request this. Earlier a Madrid spokesman for the rebels said they would not accept exile. Earlier report, Page 5

Albanian leader re-elected: Embattled President Sali Berisha was re-elected for a second term by Albania's parliament as the authorities enforced a state of emergency to try to quell civil unrest. Page 16 Page 17; Details, Page 23

Quake toll rises: The death toll from an earthquake in north-west Iran rose to 965 as rescue workers searched the region to assess damage from a second quake to hit the area in two days. About 40,000 were left homeless.

Pakistan train crash: At least 126 people were killed in Pakistan when a runaway passenger express crashed after being diverted to avoid a head-on collision with another express near the town of Khanewal. The diverted train hit the buffers at the end of a dead-end spur line.

HSBC 23% ahead: London-based international bank HSBC Holdings forecast a challenging year ahead as it reported a 23 per cent rise in 1996 profits to £4.52bn ($7.3bn). Chief executive John Bond said HSBC wanted to make insurance an international core activity. Page 17; Lex, Page 16

Malaysia telecoms: A consortium led by SBC Communications of the US was poised to take a 30 per cent of Telkom, South Africa's national operator. Germany's Deutsche Telekom withdrew at the last minute. Page 17

Move on money laundering: Tax evasion should be included in all extradition treaties to step up the fight against drug trafficking and money laundering, according to the UN agency for monitoring the drugs trade. Page 16

Only posing, officer: Chilean police stopped 49 motorists in Santiago for using cellular phones while driving, only to find that a third were pretending to talk on fake phones, a local newspaper said.

Correction: On Saturday we incorrectly referred to a loss on copper trading by Sumitomo Trust. The loss was made by Sumitomo Corporation, not by Sumitomo Trust and Banking Company or Sumitomo Trust International which are completely different entities. We apologise for the error.

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STOCK MARKET INDICES

New York lunchtime		
Dow Jones Ind Av	6869.86	(-18.09)
NASDAQ Composite	1304.27	(-4.73)
Europe and Far East		
CAC40	2608.26	(-7.29)
DAX	3263.86	(+4.22)
FTSE 100	4307.1	(-1.2)
Nikkei	18,428.13	(-127.87)

US LUNCHTIME RATES

Federal Funds	5¼%
3-mth Treas Bills: Yld	5.235%
Long Bond	97⅛
Yield	6.846%

OTHER RATES

UK: 3-mo Interbank	6¼%	(6¼%)
UK: 10 yr Gilt	101⅜	(102¼)
France: 10 yr OAT	108.30	(108.72)
Germany: 10 yr Bond	103.30	(103.54)
Japan: 10 yr JGB	104.1985	(104.238)

NORTH SEA OIL (Argus)

Brent Dated	$19.03	(19.41)

GOLD

New York: Comex	$353.4	(364.7)
London: close	$362.75	(358.65)

DOLLAR

New York lunchtime		
£	1.6173	
DM	1.6977	
FFr	5.7205	
SFr	1.4735	
Y	121.2	
London:		
£	1.6185	(1.6315)
DM	1.6934	(1.6862)
FFr	5.7192	(5.6973)
SFr	1.4757	(1.475)
Y	120.825	(120.69)
Tokyo close:	Y 120.28	

STERLING

DM	2.7425	(2.7542)

AT&T says profits to fall by 30%

Walter vows $2.6bn in cuts over two years

By Richard Waters in Basking Ridge, New Jersey

American Telephone & Telegraph, the biggest US telecommunications carrier, surprised Wall Street yesterday by predicting its earnings would fall by as much as 30 per cent this year.

The news underlined the growing pressure on AT&T from intense competition in its traditional markets, as well as the huge investments it faces to revamp its systems.

The warning came as Mr John Walter made his first full-scale presentation to investors and analysts since becoming president in January.

The former printing company executive was appointed in October last year as heir apparent to Mr Robert Allen, chairman, as part of a management overhaul.

Mr Walter promised "significant" changes in the AT&T culture, and a shake-up in its organisation to make it more responsive to its customers and to changes in telecoms markets.

To get its earnings growing again, he also promised $2.6bn of savings in the next two years from a review of all aspects of the company's operations.

Addressing about 200 people at AT&T's headquarters in New Jersey, Mr Walter predicted that AT&T would eventually come through with strong earnings.

Editorial Comment..........Page 15

He said that by 2001 the company would make twice what it will earn in 1997.

However, the gloomy short-term forecast marked a further piece of bad news from a company that was forced to issue two earnings warnings last year.

AT&T's stock fell $3 to $36⅝ yesterday morning. The company indicated it expected to earn between $2.45 and $3 a share this year, down from $3.47 last year.

Mr Walter delivered a blunt verdict on the company's loss of market share last year in its core long-distance telephone calling business – a setback which he said had "dimmed the lustre" of AT&T.

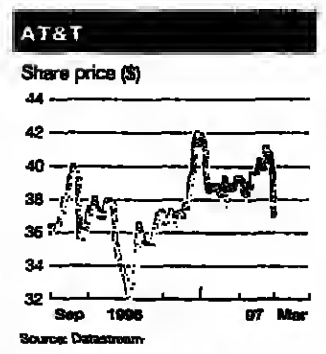
"In some ways, the market dynamics simply got away from us," he said.

This year would see further damage, as smaller competitors continued to chip away at the company's 90m residential customers. Also, AT&T's earnings will be dented by higher spending on new equipment, since it will have to pay full commercial prices to Lucent Technologies, the equipment maker that it spun off as a separate company last year.

While marking down their expectations for AT&T's profits, many analysts at yesterday's meeting continued to look to Mr Walter to make the changes that would eventually see the company rebound.

"He gave the most honest statement that an AT&T executive has given about the company's prospects for a long time," said Mr Jack Grubman, a telecoms analyst at Salomon Brothers.

"It was clear that the core business was going to stay under pressure."



AT&T also warned that its earnings in the first quarter of this year would be "slightly below" the 76 cents a share of the last three months of 1996.

Industrial action over factory closure threatens to spread across Europe

Belgium set to sue Renault on factory closure

By Neil Buckley in Brussels and David Owen in Paris

Renault was last night facing legal action and threats of stoppages across Europe over plans to close its Belgian car factory with the loss of 3,100 jobs.

As more than 4,000 workers protested in the streets of Brussels, the Belgian government said it was likely to take the French carmaker to court over its failure to consult workers about the closure.

Industrial unrest threatened to spread as unions called for one-hour stoppages in Renault's French and Spanish plants on Friday to coincide with a day of action by Belgian workers. Renault factories in Portugal and Slovenia were urged to join the protests.

The calls came amid reports that Renault was preparing to shed 3,000 workers in France this year, on top of the closure at Vilvoorde, north of Brussels. Renault would neither confirm nor deny the reports.

Mr Jean-Luc Dehaene, Belgian prime minister, who has attacked Renault's decision as "brutal and unacceptable", won backing for his calls for court action against the carmaker from Mr Karel Van Miert, the European Union competition commissioner.

Mr Van Miert told a regional minister he believed Renault had failed to respect two EU directives. Although the Commission does not have the right to take action itself, Mr Van Miert suggested Belgium would have a strong case against Renault in its national courts.

"I don't understand Renault's decision because it is closing a very profitable plant in which it has invested a lot in recent years," Mr Van Miert said.

A 1975 EU directive on collective redundancies, revised in 1992, says employers planning cuts must consult workers "in good time with a view to reaching an agreement". The 1994 EU works council directive reinforced the obligations for companies, like Renault, which have set up worker consultation bodies.

Yesterday 3,500 workers from Vilvoorde and Renault showrooms marched past EU institutions in Brussels calling for the plant to be saved. They were joined by workers from Forges de Clabecq, the bankrupt southern Belgian steelworks where 1,800 jobs may be lost.

Staff continued to blockade the Vilvoorde factory to prevent shipment of almost 5,000 finished cars, worth BFr3bn ($86.1m), and threatened to hold "hostage" some 2,000 partly-finished models.

Mr Louis Schweitzer, Renault chief executive, yesterday agreed to meet Vilvoorde workers this week, but said there was no going back on the closure decision.

Renault, in which the French government retains 47 per cent after partial privatisation last year, will shortly announce its first loss in 10 years – forecast to be close to Ffr5bn ($870m).

It says closure of Vilvoorde, and transfer of production of Mégane and Clio models to factories in Francs and Spain, will save FFr850m a year. Renault added that proper consultation procedures bad been followed.

● Spain's employers and unions meet today in an attempt to end the deadlock in ths talks on joint proposals for labour market reforms. The government has warned that if no agreement is reached today it will legislate.

Labour reform, Page 2
Renault at staging post, Page28

Angry Renault workers confront riot police during the mass demonstration in Brussels yesterday Picture: Reuter

Murdoch retreats in Japan by selling TV stake

By Michiyo Nakamoto in Tokyo

Mr Rupert Murdoch, chairman of media group News Corporation, has made an embarrassing retreat in Japan by selling the 21.4 per cent stake in TV Asahi he acquired three months ago with a Japanese partner.

Asahi Shimbun, publisher of a national newspaper, will buy the stake for Y41.75bn ($345m). It already owns 34.1 per cent of TV Asahi.

Mr Murdoch shook the Japanese media industry by becoming the first foreigner in acquire a large share of a domestic broadcaster when he bought the stake from publisher Obunsha with Softbank, a software distribution and publishing company.

Yesterday's move highlights the difficulty foreigners face in breaking into the tight-knit industry. "There is no question that Murdoch was not welcome," said Mr Ryosuke Osakake, an analyst at Nikko Research Center.

Asahi Shimbun is thought

Continued on Page 16
Lex, Page 15

UK private retailer puts 135-store chain up for sale

By Peggy Hollinger in London

Littlewoods, the UK's largest private retailer, is set to break its links with 60 years of shopping history by putting its trademark stores up for sale. The move could bring the company substantially more than £500m ($815m).

The group, which launched its first retail outlet serving shoppers on low incomes in 1937, is understood to be hoping for a quick sale of the 135-store chain.

It has already received at least two serious approaches and potential bidders are thought to include one supermarket group keen to expand its retailing outlets.

Littlewoods has appointed financial advisers BZW to prepare a sale document which will be distributed in the next 10 days.

If bidders fail to meet its target price range, Littlewoods is expected to withdraw the division from sale and focus on increasing returns from the poorly performing chain. Figures for calendar year 1995 show an operating profit of £17.9m on turnover of £448m.

Littlewoods was founded in 1923 in Liverpool when Sir John Moores first began selling pools coupons betting on the results of soccer matches. In 1932 he launched his first home shopping catalogue for cash-strapped consumers and five years later opened his first store in Blackpool.

The disposal marks the first stage in a radical overhaul of the pools, mail order and stores business following the appointment as chairman last summer of Mr James Ross, former chief executive of Cable and Wireless.

If successful, it would leave Littlewoods with the home shopping business, with sales of about £1bn a year, the Index catalogue stores, and the football pools business, which had turnover in 1995 of £631m.

It is understood that the Moores family, which owns the retailing group, has backed the sale proposal. The family has been unhappy with the group's performance in recent years and came close to selling the business in 1995.

However, shareholdera rejected two bids of more than £1bn. The bidders are believed to have valued the stores and property division at about £450m, which shareholders considered unacceptably low.

Littlewoods is aiming to take advantage of strong growth in the direct mail sector. It is hoping to boost its sales with the £390m purchase of Freemans, the UK's third-largest mail order group, from Sears. The deal has been referred to the Monopolies and Mergers Commission and a decision is expected in the summer.

CONTENTS

Industry resists proposals to limit audience share in European Union

Brussels media plan under fire

By Emma Tucker in Brussels

The European Commission is coming under heavy pressure to abandon plans to harmonise media ownership in the European Union which would impose a 30 per cent limit on the radio or television audience share a company or individual could have in any member state.

The controversial proposals, drawn up by Mr Mario Monti, the single market commissioner, would also introduce a threshold of 10 per cent on the total audience share permissible for "multimedia" enterprises combining television, radio and press.

In a letter to Mr Jacques Santer, president of the European Commission, Sir Frank Rogers, chairman of the European Publishers' Council, says the proposals would be against the EPC's "long-term interests and the interests of a flourishing European media industry".

"The legislation will constrain the size of media companies in ways which will be very damaging not only to tha companies, but to Europe in general," said Sir Frank yesterday.

Presentation of tha proposals to the full Commission was scheduled for tomorrow but has been put back for at least a week amid signs that some Commission officials are unhappy with the draft proposals. They are broadly similar to those rejected by tha full Commission last September on the grounds that they were too strict and would bave blocked the industry's growth.

But in an attempt to win wider support for his initiative, Mr Monti has introduced a "flexibility" clause which would give member states the discretion to allow their media companies to exceed the proposed thresholds. The clause, which would run for an initial 10 years, could only be applied in the state where the media company bas its main operations. So Mr Silvio Berlusconi, tha Italian media magnate, could maintain his more than 30 per cent share in tbe Italian market but would only be allowed up to a 30 per cent share in any other EU state.

However, officials inside the Commission believe more work needs to be done to resolve exactly how the flexibility clause would apply. For example, it is not clear who would have jurisdiction over the clause if a company from one member state bought into more than 30 per cent of the media interests in another member state.

Mr Monti is determined to press ahead with his proposals in spite of the sensitivity in member states over media ownership. He argues that the many different laws on media concentration across the 15 member states are preventing the free flow of media services inside the single market and are preventing the development of the industry at a European level.

The EPC remains opposed to the legislation in spite of the flexibility clause. In his letter Sir Frank argues that the clause will not provide companies with the legal certainty necessary to commit to major, long-term investment decisions.

EU looks for Russia-Nato accord

By Chrystia Freeland in Moscow

European Union leaders yesterday expressed the bope that Russia would reacb an agreement with Nato before the alliance invites eastern European states to join this summer. "The Russian attitude [on Nato] has not changed, but at the same time there is a strong will to reach a set of conclusions before [the Nato summit in] Madrid," Mr Wim Kok said yesterday.

Mr Kok, the Dutch prime minister, whose country holds the rotating EU presidency, was speaking after a summit meeting between President Boris Yeltsin and EU leaders in Moscow.

He said the Russian leader had asked Europeans to participate closely in the discussions about relations betweeo Russian and Nato ahead of the US-Russia summit, scheduled to take place in Helsinki later this month. That meeting is expected to focus on Nato and many observers bope it could lay the groundwork for a special agreement between Russia and the alliance.

Mr Kok's comment suggests that Mr Yeltsin is eager to engage European states – which have at times been less insistent on the issue of Nato expansion than the US – as a moderating force in negotiations between Moscow and Washington.

Mr Yeltsin's meeting with EU leaders, originally due to take place at The Hague on February 4 but rescheduled because of his health problems, marks the beginning of strenuous week in which the president is hoping to re-emerge as the dominant figure in Russian politics.

Later this week Mr Yeltsin will deliver an annual state of the nation address, his longest live public appearance since August 9, when he was inaugurated. The address has already frayed nerves in Moscow, amid widespread expectation that Mr Yeltsin could use the opportunity to reshuffle the cabinet.

At the weekend, Mr Yeltsin will again be seeking a deal for Russia in the face of imminent Nato expansion plans when Mr Javier Solana, the military alliance's secretary general, travels to Moscow.

European leaders said Mr Yeltsin seemed up to the strain. "The president was in excellent spirits and very active," Mr Kok said.

Latvian port charts new course

Matthew Kaminski reports from Liepaja, cold war fortress looking for a commercial future

The partially sunken submarines that litter the Latvian port of Liepaja are the most dramatic legacy of the Russian navy's reluctant and bitter withdrawal in 1994 from the largest Soviet naval base in the Baltic states.

The port's abandoned residential area resembles a burned out ghetto. Old, stately Swedish-style homes, vandalised by departing Russians, stand empty, their windows shattered. One in three jobs was lost when the military left and the city's population fell by a fifth.

Latvians now pin their hopes for the city's revival on the thriving Baltic Sea trade to and from Russia that could bring back the prosperity the country enjoyed before Soviet troops invaded in 1940. The reopening of the Baltic region gives an old cold war fortress the chance to return to its roots as a commercial harbour.

The push for Russian business might ease the bitterness on both sides that continually sours relations. Latvians like to compare Liepaja with Rotterdam, which quickly became Germany's largest trade gateway after the second world war, in spite of bitter wartime enmity.

As Russian destroyers began leaving in 1992, Latvian seamen and others involved in Liepaja were working to ensure the port was used to the country's economic advantage.

Mr Aivars Boja, a merchant fleet captain and director of the local port authority, led an aggressive drive to lease out berths for private use. Stevedoring and shipping agencies were founded. The largest company, TerraBalt, built a new loading dock and bulk terminal – imports for Russia account for 90 per cent of its business. "The Russian military left, and we really had no choice," says Mr Yuri Solvyov, a merchant captain who founded TerraBalt.

Starting from nothing, Liepaja handled 1.6m tonnes of cargo last year, up from 1.4m in 1995. The rejuvenation of the local metal manufacturing plant, which expects exports to reach 500,000 tonnes, would be another boost for business this year.

All Latvian ports enjoyed a boom last year, handling 45m tonnes of cargo – 15 per cent more than in 1995 – including 27m tonnes of oil and oil products handled at Ventspils, Russia's largest oil export terminal.

The competition from Lithuania's Klaipeda and Estonia's Tallinn is heating up, but Latvian officials were ebullient about last year's result. "More Russian cargo goes through our ports than through all the Russian Baltic ports and Finland combined," says Mr Andris Skele, prime minister.

Backed by the Latvian government, Liepaja was this year granted permission to set up e tax-free zone in the port, specialising in re-export of finished goods. But its future is by no means assured.

"Liepaja is an excellent, deep, ice-free port ideally located on the Baltic," says Mr Charles Magee, a retired US diplomat who monitors ethnic relations in Latvia and often visits the city. "But, oh God, what it would take to fix that place up."

Half the port cannot be used until abandoned submarines are cleared from the channels. The Russian state owns them, and awarded a two-year contract to a German company, Kienast Metalle, to bring up the 28 vessels and strip them for scrap. The deal expired in December after 19 had been cleared; the fate of the rest is not clear.

The port channels also desperately need dredging. A Danisb ship ran aground recently on a large piece of metal the Soviet navy had dumped.

Refloating Liepaja

Liepaja's modernisation plans include new loading docks, railway lines and cranes. Local businessmen have held talks with potential western investors as well as with Russians.

Mr Arkady Volsky, influential chairman of the Russian Entrepreneurs and Industrialists Union, last month called Liepaja's loss "inexcusable" and claimed that Latvia had approached him to sell the port to the Russian government.

Officials in Riga, the capital, quietly dismissed Mr Volsky's claim as Russian nationalist bluster – the port will stay in the ownership of the Latvian state – but were emphatic that their strained political ties with Moscow must not get in the way of business.

Russia lacks better options at home. Icebound St Petersburg has a reputation for corruption and cargo pilferage. The Russian navy controls Kaliningrad's Baltisk, while the shallower commercial port in the enclave capital suffers from poor facilities and rail links.

"When the Soviet Union fell, Russia lost its four major Baltic ports" – Klaipeda, Riga, Tallinn and Ventspils – says Mr Imants Cibulis, president of Trans Liepaja agency, who has been negotiating with Mr Volsky and Russian industrialists on joint projects at Liepaja. "They want to build a new one, but that would take millions. A smaller investment in our new commarcial port would solve their problem."

EU call on global warming gases

By Caroline Southey in Brussels

The European Union is to press for dramatic worldwide cuts in greenhouse gas emissions, putting pressure on countries such as the US and Japan to back ambitious targets at the next international summit on climate change later this year.

In a surprise turnaround, EU environment ministers agreed to put forward proposals for the Kyoto summit calling for a 15 per cent cut in emissions of greenhouse gases – which contribute to global warming – by 2010. Observers had not expected an agreement to be achievable when ministers began their meeting on Sunday night.

The proposal raisas the stakes for member countries of the Organisation for Economic Co-operation and Development which are meeting in this week in Bonn to discuss the terms of a protocol for the international summit in December.

The Kyoto gathering will agree the next phase of targets for global cuts in emissions, extending the mandates of the Rio and Berlin summits.

Environmental groups welcomed the decision and said the EU proposal would inject new energy into the Kyoto preparatory talks.

"The EU initiative has come at a critical moment. It has provoked a flurry of interest and could break the stalamate in negotiations," said Mr Andrew Kerr, co-ordinator of European Climate Change for the World Wild Fund for Nature, who is attending the talks in Bonn.

The EU ministers agreed to back the ambitious target of 15 per cent, but failed to reach agreement on how the Union would achieve the full target. Ms Margreet de Boer, the Dutch minister, said they had agreed on how to share out the targets between countries for only 10 percentage points of the 15 per cent pledged. The remaining 5 percentage points would be negotiated at a "later date".

A Dutch official said the EU would be committed to the 15 per cent target only if it was endorsed by the Kyoto summit. "If there is a minus 15 per cent figure agreed in Kyoto, then the EU is committed to adopting measures in addition to existing commitments," said Mr Kees Zoeteman, deputy director for environmental affairs in the Netherlands.

But he admitted the likelihood of a deal at the summit on such an ambitious figure was remote. "If Kyoto reaches agreement on minus 10 per cent – which would be a major step forward and far from likely at this moment – we would be ready to implement it," he said.

The deal was struck after the ministers watered down a previous Dutch proposal, cutting the target levels for each country.

EUROPEAN NEWS DIGEST

Paris, Bonn in security talks

Germany and France moved significantly closer yesterday to agreeing a joint plan for developing common European Union defence and security policy. Foreign ministers from the two countries discussed proposals for setting general "strategic" policy on the principle of unanimity – but allowing implementation details to be set according to qualified majority voting among member states.

The plan – which emerged after a meeting between Mr Klaus Kinkel of Germany and Mr Hervé de Charette of France – was described by officials as an important step in discussions on the future shape of the EU. It marks a concession by Germany, which has in the past sought backing for the qualified majority voting – weighted according to the size of members – to be the rule in foreign and security policy.

Mr Kinkel also proposed appointing a "secretary general" to "front" the EU foreign and security policy who would rank below government ministers. It was unclear how much support this proposal would win from France, which wants a high-profile appointment. German-French proposals for a common foreign and security policy are expected to be presented at next Monday's session of the inter-governmental conference preparing for the Amsterdam summit in June. *Ralph Atkins, Bonn*

Party funding trial in France

Two former treasurers of France's Socialist party went on trial in Lyons yesterday over an allegedly covert party funding network dating back to the late 1980s.

Mr Henri Emmanuelli and Mr Andre Laignel are among 50 defendants in a trial expected to last about a month. The others include numerous elected local Socialist officials and business executives.

Mr Emmanuelli and Mr Laignel are accused of receiving illicit campaign contributions from a company known as Urba which allegedly demanded consulting fees from businesses in return for public works contracts.

Mr Emmanuelli has already been given a one-year suspended jail sentence and a fine of FFr30,000 ($5,250) on similar charges in a separate trial in 1995.

Both men deny involvement in Urba and say they were unaware of illegal activities. *Reuter, Lyons*

Setback for Turkey's PM

The leader of Turkey's biggest leftwing party yesterday snubbed efforts by Mr Necmettin Erbakan, the embattled Islamist prime minister, to seek a political consensus to bolster his government after military commanders on Friday demanded he respect Turkey's secularist system or face "sanctions".

Mr Bülent Ecevit, head of the Democratic Left party, said after meeting Mr Erbakan: "I do not think he is sincere in his search for dialogue." Mr Erbakan's coalition government faces an opposition no confidence motion in parliament today but is expected to survive easily, in spite of mounting opposition.

Demonstrators in Istanbul, many of them women, held a rally commemorating the abolition in 1924 of the Ottoman caliphate by Mr Kemal Atatürk, founder of the secular state. They sang republican songs and chanted anti-government slogans. *John Barham, Ankara*

Shatalin dies at 62

Mr Stanislav Shatalin, a pioneer of efforts to introduce market reforms to the moribund Soviet economy, died yesterday aged 62. He was once described as the St George in Russian efforts to slay the communist economic dragon.

In the late 1980s Mr Shatalin worked closely with Mr Mikhail Gorbachev as he attempted to reform the Soviet economic and political system without breaking it by abandoning a socialist-style concern with full employment, a wide array of government-provided services and a strong role for the state in the economy.

By the early 1990s Mr Shatalin began to advocate more radical solutions. Together with Mr Grigory Yavlinsky, a leading liberal politician, he drew up the "500 Days" programme, a bold, step-by-step plan to shift from central planning to a market economy. The scheme was never implemented and was rendered obsolete by the collapse of the Soviet Union, but its ideas served as an important foundation for measures which a younger team of economists launched in 1992. *Chrystia Freeland, Moscow*

ECONOMIC WATCH

Finnish finances improve

Goods news yesterday on the improving state of Finland's public finances was offset by figures showing unemployment stuck at close to record high levels. According to official statistics, unemployment in January (adjusted to comply with European Union measurements) stood at 16.7 per cent of the workforce. This was down from 17.4 per cent in January 1996, but up significantly from December's 15.1 per cent.

The good news is that the budget deficit was 2.6 per cent of gross domestic product at the end of last year, inside the 3 per cent upper limit set for qualification for European monetary union for the first time since 1991. The Social Democratic-led government is committed to Finnish membership of Emu from its planned start in 1999. The public debt, measured according to Emu qualification criteria, rose to 58.8 per cent by the end of 1996, also inside the 60 per cent Emu limit. *Hugh Carnegy, Stockholm*

■ Sweden's producer price index rose 0.3 per cent in January from December but fell 2.2 per cent from a year earlier, the central statistical bureau reported.

■ The Dutch trade surplus widened to Fl 3.733bn ($1.97bn) in November from Fl1.911bn a year earlier.

Madrid may enforce labour reform

By David White in Madrid

Spain's centre-rigbt government appears increasingly likely to be forced to carry out its reluctant threat to impose labour market reforms in an open challenge to the trade unions.

It has been hoping for a voluntary agreement between employers and unions covering new kinds of work contract and clarifying the conditions for redundancies. The CEOE employers' federation and the two main labour organisations, the General Workers Union (UGT) and Workers' Commissions, are set for a final meeting today. But the outlook appears dim, with the UGT warning that only a fundamental turnaround by employers would break the deadlock. Workers' Commissions accused the CEOE of preferring government-imposed legislation to a compromise settlement.

Government and business leaders see reform of redundancy terms as an urgent task to prevent the labour system from standing in the way of new investment, and to create competitive conditions for Spain in the European Union's planned single-currency zone.

Tha government is concerned that investment and job creation decisions are being delayed in anticipation of the outcome. However, unions have blamed government interference for hindering the chances of agreement.

Mr José María Aznar, prime minister, has repeatedly warned that the government will take the initiative if unions and employers fail to reach an early agreement. But Mr Antonio Gutiérrez, Workers' Commissions secretary-general, said yesterday that a unilateral reform by the government would fail and lead to labour conflict.

The last attempt to ease redundancy conditions three years ago provoked a 24-hour general strike against the then Socialist government. The change, extending tha legally acceptable grounds for workforce cuts, is seen by employers as having had little impact on the real cost of redundancies.

Redundancies accepted as justified carry guaranteed compensation of 20 days' pay per year worked, up to a ceiling of 12 months' pay. But because of legal delays and varying interpretations by judges most companies have tended to pay the rate set for unjustified redundancies: 45 days' pay per year, up to a maximum of 42 months – by far the highest legal rate in the EU.

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Trials of Spanish businessmen come to head

By David White

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The opening of bis trial for alleged misappropriation of Pta600m ($4.2m) in the "Argentia Trust" case is just tbe beginning nf a long court battle for the 48-year-old financier. The main Banesto case, involving fraud charges to the value of some Pta7.8bn, is still looming.

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Retaliatory legal action is made easier in Spain by a system allowing private individuals to bring criminal cases. The latest coincidence came in a privately-initiated case last Friday, involving alleged misuse of funds by Sogecable, which runs Spain's Canal Plus television channel.

Instead of serving notice to lawyers, the judge called in senior executives including Mr Jesús de Polanco, chairman, and Mr Juan Luis Cebrián, cbief executive, who bold the same posts in the leading newspaper El País. They were forbidden to leave the country. El País commented that it did "not seem fortuitons" tbat tbe move shonld come just befnre Mr Conde's trial.

The judge involved, Mr Javier Gómez de Liaño happens to be a younger brother of Mr Conde's lawyer, Mr Mariano Gómez de Liaño, wbn has himself been under investigation in the Banesto case.

The judicial system's shaky public repntatinn received a furtber blow wben tbe government backed off from approving the nnmination of a new chief prosecntor at the national court after allegations that he belonged to an obscure order linked to the extreme right.

Industry resists proposals to limit audience share in European Union

Brussels media plan under fire

By Emma Tucker in Brussels

The European Commission is coming under heavy pressure to abandon plans to harmonise media ownership in the European Union which would impose a 30 per cent limit on the radio or television audience share a company or individual could have in any member state.

The controversial proposals, drawn up by Mr Mario Monti, the single market commissioner, would also introduce a threshold of 10 per cent on the total audience share permissible for "multimedia" enterprises combining television, radio and press.

In a letter to Mr Jacques Santer, president of the European Commission, Sir Frank Rogers, chairman of the European Publishers' Council, says the proposals would be against the EPC's "long-term interests and the interests of a flourishing European media industry".

"The legislation will constrain the size of media companies in ways which will be very damaging not only to the companies, but to Europe in general," said Sir Frank yesterday.

Presentation of the proposals to the full Commission was scheduled for tomorrow but has been put back for at least a week amid signs that some Commission officials are unhappy with the draft proposals. They are broadly similar to those rejected by the full Commission last September on the grounds that they were too strict and would have blocked the industry's growth.

But in an attempt to win wider support for his initiative, Mr Monti has introduced a "flexibility" clause which would give member states the discretion to allow their media companies to exceed the proposed thresholds. The clause, which could only be applied in the state where the media company has its main operations. So Mr Silvio Berlusconi, the Italian media magnate, could maintain his more than 30 per cent share in the Italian market but would only be allowed up to a 30 per cent share in any other EU state.

However, officials inside the Commission believe more work needs to be done to resolve exactly how the flexibility clause would apply. For example, it is not clear who would have jurisdiction over the clause if a company from one member state bought into more than 30 per cent of the media interests in another member state.

Mr Monti is determined to press ahead with his proposals in spite of the sensitivity in member states over media ownership. He argues that the many different laws on media concentration across the 15 member states are preventing the free flow of media services inside the single market and are preventing the development of the industry at a European level.

The EPC remains opposed to the legislation in spite of the flexibility clause. In his letter Sir Frank argues that the clause will not provide companies with the legal certainty necessary to commit to major, long-term investment decisions.

EU looks for Russia-Nato accord

By Chrystia Freeland in Moscow

European Union leaders yesterday expressed the hope that Russia would reach an agreement with Nato before the alliance invites eastern European states to join this summer. "The Russian attitude [on Nato] has not changed, but at the same time there is a strong will to reach a set of conclusions before [the Nato summit in] Madrid," Mr Wim Kok said yesterday.

Mr Kok, the Dutch prime minister, whose country holds the rotating EU presidency, was speaking after a summit meeting between President Boris Yeltsin and EU leaders in Moscow.

He said the Russian leader had asked Europeans to participate closely in the discussions about relations between Russian and Nato ahead of the US-Russia summit, scheduled to take place in Helsinki later this month. That meeting is expected to focus on Nato and many observers hope it could lay the groundwork for a special agreement between Russia and the alliance.

Mr Kok's comment suggests that Mr Yeltsin is eager to engage European states – which have at times been less insistent on the issue of Nato expansion than the US – as a moderating force in negotiations between Moscow and Washington.

Mr Yeltsin's meeting with EU leaders, originally due to take place at The Hague on February 4 but rescheduled because of his health problems, marks the beginning of strenuous week in which the president is hoping to re-emerge as the dominant figure in Russian politics.

Later this week Mr Yeltsin will deliver an annual state of the nation address, his longest live public appearance since August 9, when he was inaugurated. The address has already frayed nerves in Moscow, amid widespread expectation that Mr Yeltsin could use the opportunity to reshuffle the cabinet.

At the weekend, Mr Yeltsin will again be seeking a deal for Russia in the face of imminent Nato expansion plans when Mr Javier Solana, the military alliance's secretary general, travels to Moscow.

European leaders said Mr Yeltsin seemed up to the strain. "The president was in excellent spirits and very active," Mr Kok said.

Latvian port charts new course

Matthew Kaminski reports from Liepaja, cold war fortress looking for a commercial future

Refloating Liepaja

The partially sunken submarines that litter the Latvian port of Liepaja are the most dramatic legacy of the Russian navy's reluctant and bitter withdrawal in 1994 from the largest Soviet naval base in the Baltic states.

The port's abandoned residential area resembles a burned out ghetto. Old, stately Swedish-style homes, vandalised by departing Russians, stand empty, their windows shattered. One in three jobs was lost when the military left and the city's population fell by a fifth.

Latvians now pin their hopes for the city's revival on the thriving Baltic Sea trade to and from Russia that could bring back the prosperity the country enjoyed before Soviet troops invaded in 1940. The reopening of the Baltic region gives an old cold war fortress the chance to return to its roots as a commercial harbour.

The push for Russian business might ease the bitterness on both sides that continually sours relations. Latvians like to compare Liepaja with Rotterdam, which quickly became Germany's largest trade gateway after the second world war, in spite of bitter wartime enmity.

As Russian destroyers began leaving in 1992, Latvian seamen and others involved in Liepaja were working to ensure the port was used to the country's economic advantage.

Mr Aivars Boja, a merchant fleet captain and director of the local port authority, led an aggressive drive to lease out berths for private use. Stevedoring and shipping agencies were founded. The largest company, TerraBalt, built a new loading dock and bulk terminal – imports for Russia account for 90 per cent of its business. "The Russian military left, and we really had no choice," says Mr Yuri Solvyov, a merchant captain who founded TerraBalt.

Starting from nothing, Liepaja handled 1.6m tonnes of cargo last year, up from 1.4m in 1995. The rejuvenation of the local metal manufacturing plant, which expects exports to reach 500,000 tonnes, would be another boost for business this year.

All Latvian ports enjoyed a boom last year, handling 45m tonnes of cargo – 15 per cent more than in 1995 – including 27m tonnes of oil and oil products handled at Ventspils, Russia's largest oil export terminal.

The competition from Lithuania's Klaipeda and Estonia's Tallinn is heating up, but Latvian officials were ebullient about last year's result. "More Russian cargo goes through our ports than through all the Russian Baltic ports and Finland combined," says Mr Andris Skele, prime minister.

Backed by the Latvian government, Liepaja was this year granted permission to set up a tax-free zone in the port, specialising in re-export of finished goods. But its future is by no means assured.

"Liepaja is an excellent, deep, ice-free port ideally located on the Baltic," says Mr Charles Magee, a retired US diplomat who monitors ethnic relations in Latvia and often visits the city. "But, oh God, what it would take to fix that place up."

Half the port cannot be used until abandoned submarines are cleared from the channels. The Russian state owns them, and awarded a two-year contract to a German company, Kienast Mobile, to bring up the 28 vessels and strip them for scrap. The deal expired in December after 19 had been cleared; the fate of the rest is not clear.

The port channels also desperately need dredging. A Danish ship ran aground recently on a large piece of metal the Soviet navy had dumped.

Liepaja's modernisation plans include new loading docks, railway lines and cranes. Local businessmen have held talks with potential western investors as well as with Russians.

Mr Arkady Volsky, influential chairman of the Russian Entrepreneurs and Industrialists Union, last month called Liepaja's loss "inexcusable" and claimed that Latvia had approached him to sell the port to the Russian government.

Officials in Riga, the capital, quietly dismissed Mr Volsky's claim as Russian nationalist bluster – the port will stay in the ownership of the Latvian state – but were emphatic that their strained political ties with Moscow must not get in the way of business.

Russia lacks better options at home. Icebound St Petersburg has a reputation for corruption and cargo pilferage. The Russian navy controls Kaliningrad's Baltisk, while the shallower commercial port in the enclave capital suffers from poor facilities and rail links.

"When the Soviet Union fell, Russia lost its four major Baltic ports" – Klaipeda, Riga, Tallinn and Ventspils – says Mr Imants Cibulis, president of Trans Liepaja agency, who has been negotiating with Mr Volsky and Russian industrialists on joint projects at Liepaja. "They want to build a new one, but that would take millions. A smaller investment in our new commercial port would solve their problem."

EU call on global warming gases

By Caroline Southey in Brussels

The European Union is to press for dramatic worldwide cuts in greenhouse gas emissions, putting pressure on countries such as the US and Japan to back ambitious targets at the next international summit on climate change later this year.

In a surprise turnaround, EU environment ministers agreed to put forward proposals for the Kyoto summit calling for a 15 per cent cut in emissions of greenhouse gases – which contribute to global warming – by 2010. Observers had not expected an agreement to be achievable when ministers began their meeting on Sunday night.

The proposal raises the stakes for member countries of the Organisation for Economic Co-operation and Development which are meeting in this week in Bonn to discuss the terms of a protocol for the international summit in December.

The Kyoto gathering will agree the next phase of targets for global cuts in emissions, extending the mandates of the Rio and Berlin summits.

Environmental groups welcomed the decision and said the EU proposal would inject new energy into the Kyoto preparatory talks.

"The EU initiative has come at a critical moment. It has provoked a flurry of interest and could break the stalemate in negotiations," said Mr Andrew Kerr, co-ordinator of European Climate Change for the World Wild Fund for Nature, who is attending the talks in Bonn.

The EU ministers agreed to back the ambitious target of 15 per cent, but failed to reach agreement on how the Union would achieve the full target. Ms Margreet de Boer, the Dutch minister, said they had agreed on how to share out the targets between countries for only 10 percentage points of the 15 per cent pledged. The remaining 5 percentage points would be negotiated at a "later date".

A Dutch official said the EU would be committed to the 15 per cent target only if it was endorsed by the Kyoto summit. "If there is a minus 15 per cent figure agreed in Kyoto, then the EU is committed to adopting measures in addition to existing commitments," said Mr Kees Zoeteman, deputy director for environmental affairs in the Netherlands.

But he admitted the likelihood of a deal at the summit on such an ambitious figure was remote. "If Kyoto reaches agreement on minus 10 per cent – which would be a major step forward and far from likely at this moment – we would be ready to implement it," he said.

The deal was struck after the ministers watered down a previous Dutch proposal, cutting the target levels for each country.

EUROPEAN NEWS DIGEST

Paris, Bonn in security talks

Germany and France moved significantly closer yesterday to agreeing a joint plan for developing common European Union defence and security policy. Foreign ministers from the two countries discussed proposals for setting general "strategic" policy on the principle of unanimity – but allowing implementation details to be set according to qualified majority voting among member states.

The plan – which emerged after a meeting between Mr Klaus Kinkel of Germany and Mr Hervé de Charette of France – was described by officials as an important step in discussions on the future shape of the EU. It marks a concession by Germany, which has in the past sought backing for the qualified majority voting – weighted according to the size of members – to be the rule in foreign and security policy.

Mr Kinkel also proposed appointing a "secretary general" to "front" the EU foreign and security policy who would rank below government ministers. It was unclear how much support this proposal would win from France, which wants a high-profile appointment. German-French proposals for a common foreign and security policy are expected to be presented at next Monday's session of the inter-governmental conference preparing for the Amsterdam summit in June. *Ralph Atkins, Bonn*

Party funding trial in France

Two former treasurers of France's Socialist party went on trial in Lyons yesterday over an allegedly covert party funding network dating back to the late 1980s.

Mr Henri Emmanuelli and Mr André Laignel are among 50 defendants in a trial expected to last about a month. The others include numerous elected local Socialist officials and business executives.

Mr Emmanuelli and Mr Laignel are accused of receiving illicit campaign contributions from a company known as Urba which allegedly demanded consulting fees from businesses in return for public works contracts.

Mr Emmanuelli has already been given a one-year suspended jail sentence and a fine of FFr30,000 ($5,250) on similar charges in a separate trial in 1995.

Both men deny involvement in Urba and say they were unaware of illegal activities. *Reuter, Lyons*

Setback for Turkey's PM

The leader of Turkey's biggest leftwing party yesterday snubbed efforts by Mr Necmettin Erbakan, the embattled Islamist prime minister, to seek a political consensus to bolster his government after military commanders on Friday demanded he respect Turkey's secularist system or face "sanctions".

Mr Bülent Ecevit, head of the Democratic Left party, said after meeting Mr Erbakan: "I do not think he is sincere in his search for dialogue." Mr Erbakan's coalition government faces an opposition no confidence motion in parliament today but is expected to survive easily, in spite of mounting opposition.

Demonstrators in Istanbul, many of them women, held a rally commemorating the abolition in 1924 of the Ottoman caliphate by Mr Kemal Atatürk, founder of the secular state. They sang republican songs and chanted anti-government slogans. *John Barham, Ankara*

Shatalin dies at 62

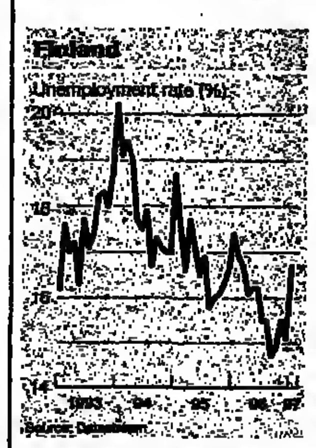
Mr Stanislav Shatalin, a pioneer of efforts to introduce market reforms to the moribund Soviet economy, died yesterday aged 62. He was once described as the St George in Russian efforts to slay the communist economic dragon.

In the late 1980s Mr Shatalin worked closely with Mr Mikhail Gorbachev as he attempted to reform the Soviet economic and political system without breaking it by abandoning a socialist-style concern with full employment, a wide array of government-provided services and a strong role for the state in the economy.

By the early 1990s Mr Shatalin began to advocate more radical solutions. Together with Mr Grigory Yavlinsky, a leading liberal politician, he drew up the "500 Days" programme, a bold, step-by-step plan to shift from central planning to a market economy. The scheme was never implemented and was rendered obsolete by the collapse of the Soviet Union, but its ideas served as an important foundation for measures which a younger team of economists launched in 1992. *Chrystia Freeland, Moscow*

ECONOMIC WATCH

Finnish finances improve



Goods news yesterday on the improving state of Finland's public finances was offset by figures showing unemployment stuck at close to record high levels. According to official statistics, unemployment in January (adjusted to comply with European Union measurements) stood at 16.7 per cent of the workforce. This was down from 17.4 per cent in January 1996, but up significantly from December's 15.1 per cent.

The good news is that the budget deficit was 2.6 per cent of gross domestic product at the end of last year, inside the 3 per cent upper limit set for qualification for European monetary union for the first time since 1991. The Social Democratic-led government is committed to Finnish membership of Emu from its planned start in 1999. The public debt, measured according to Emu qualification criteria, rose to 58.8 per cent by the end of 1996, also inside the 60 per cent Emu limit. *Hugh Carnegy, Stockholm*

■ Sweden's producer price index rose 0.3 per cent in January from December but fell 2.2 per cent from a year earlier, the central statistical bureau reported.

■ The Dutch trade surplus widened to Fl 3.738bn ($1.97bn) in November from Fl1.911bn a year earlier.

Madrid may enforce labour reform

By David White in Madrid

Spain's centre-right government appears increasingly likely to be forced to carry out its reluctant threat to impose labour market reforms in an open challenge to the trade unions.

It has been hoping for a voluntary agreement between employers and unions covering new kinds of work contract and clarifying the conditions for redundancies. The CEOE employers' federation and the two main labour organisations, the General Workers Union (UGT) and Workers' Commissions, are set for a final meeting today. But the outlook appears dim, with the UGT warning that only a fundamental turnaround by employers would break the deadlock. Workers' Commissions accused the CEOE of preferring government-imposed legislation to a compromise settlement.

Government and business leaders see reform of redundancy terms as an urgent task to prevent the labour system from standing in the way of new investment, and to create competitive conditions for Spain in the European Union's planned single-currency zone.

The government is concerned that investment and job creation decisions are being delayed in anticipation of the outcome. However, unions have blamed government interference for hindering the chances of agreement.

Mr José María Aznar, prime minister, has repeatedly warned that the government will take the initiative if unions and employers fail to reach an early agreement. But Mr Antonio Gutiérrez, Workers' Commissions secretary-general, said yesterday that a unilateral reform by the government would fail and lead to labour conflict.

The last attempt to ease redundancy conditions three years ago provoked a 24-hour general strike against the then Socialist government. The change, extending the legally acceptable grounds for workforce cuts, is seen by employers as having had little impact on the real cost of redundancies.

Redundancies accepted as justified carry guaranteed compensation of 20 days' pay per year worked, up to a ceiling of 12 months' pay. But because of legal delays and varying interpretations by judges most companies have tended to pay the rate set for unjustified redundancies: 45 days' pay per year, up to a maximum of 42 months – by far the highest legal rate in the EU.

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The judicial system's shaky public reputation received a further blow when the government backed off from approving the nomination of a new chief prosecutor at the national court after allegations that he belonged to an obscure order linked to the extreme right.

هكذا من الاول

Bankers reject rumours of delay

By Samer Iskandar and Richard Adams in London

Preparing for Emu

European central bankers yesterday tried to quash speculation that European economic and monetary union would have to be delayed, while analysts said that the market had overreacted last week. Mr Hans Tietmeyer, president of the Bundesbank, said he did not "see any reason for delay" and that the rumours, which unsettled markets on Friday, were "not in line with reality." Mr Alexandre Lamfalussy, president of the European Monetary Institute, said: "All these market rumours about a delay are unfounded."

Both were speaking at a bankers' meeting in Frankfurt in honour of Mr Wim Duisenberg, head of the Dutch central bank and the designated new head of the European Monetary Institute, the forerunner of the European Central Bank.

Worries that Emu would have to be postponed have been mounting for weeks as it has become increasingly apparent that many countries, including Germany, are having difficulty meeting conditions for monetary union, especially when it comes to trimming budget deficits.

On Friday rumours swept European financial markets that a two-year delay in Emu would soon to be announced. This forced the Bundesbank and German finance ministry to offer calming statements. Worst-hit were bonds issued by the Italian government, which has staked its credibility on its ability to join Emu as a founding member in 1999.

Futures on Italian government bonds (BTPs) fell 2.3 percentage points on Friday, the sharpest single-day fall in 2½ years, but this was largely overdone and unjustified, analysts said yesterday. "Now that the dust has settled, we do not understand why the market moved so violently in the first place," said one bond market strategist.

"There is no doubt it was an over-reaction – in the short term it was overdone," said Mr Julian Jessop, chief European economist at Nikko Europe.

Fund managers in continental Europe expressed surprise at the market's fall. "We have not seen any selling [of Italian bonds]," said one. "We have not sold any ourselves, and are not planning to."

A London economist said the rumours that caused the sell-off originated among futures traders. "Traders thrive on volatility," he said. "They need it to make money. There is no other explanation for the rumours."

Italian bonds yesterday recouped some of their losses. The BTP futures contract, listed in London, rose by 0.50 percentage point to close at 128.00, outperforming similar instruments on German bunds, which rose only 0.20 percentage point.

Mr Jessop, however, believes Italian bonds are not out of the woods yet. He expects BTP prices to drift downward in the longer term.

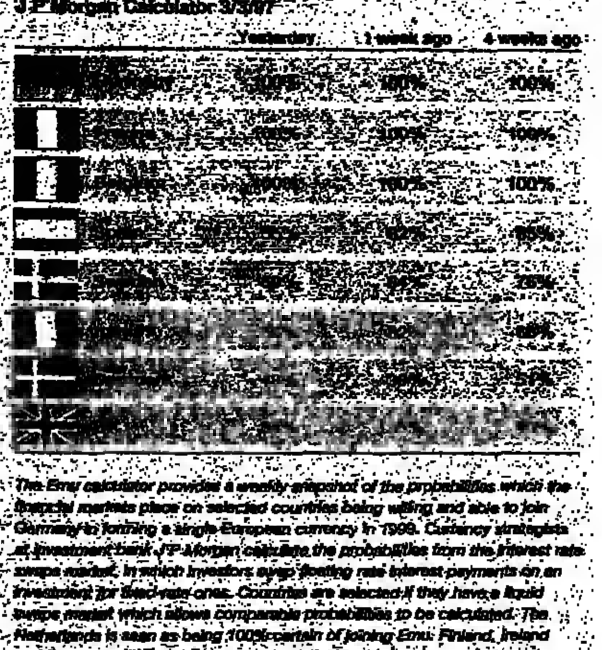
Italian gross domestic product data released last week suggested little sign of an upturn in the Italian economy, he said, adding that this put pressure on the budget deficit through higher social welfare payments and lower government revenue.

Mr Bruce Kasman, chief European economist at J.P.Morgan in London, said Italy's economic fundamentals were being overshadowed by political considerations over Emu. "Everyone knows the economy is weak, people are much more worried about Emu," he said.

International Capital Markets, Page 26

Further reporting by Frederick Stüdemann in Bonn and Agencies

Emu: who's going to make it



The Emu calculator provides a weekly snapshot of the probabilities which the financial markets place on selected countries being willing and able to join Germany in forming a single European currency in 1999. Currency strategists at investment bank JP Morgan calculate the probabilities from the interest rate swaps market, in which investors swap floating rate interest payments on an investment for fixed-rate ones. Countries are selected if they have a liquid swaps market which allows comparable probabilities to be calculated. The Netherlands is seen as being 100% certain of joining Emu. Finland, Ireland and Portugal will be added to the Emu calculator in the coming weeks.

US wakes up to challenge of Emu

Until recently, Americans have been hard pressed to take European monetary union seriously but this attitude is changing, writes Gerard Baker

Even the best informed Americans have had a hard time taking the notion of European economic and monetary union seriously over the past few years.

After the EU monetary crises of the early 1990s, the conventional view in the US was that the planned single currency was a rather far-fetched notion, of more use in understanding the long-term political ideals of European countries than in suggesting a programme of real economic and monetary changes.

The scepticism was perhaps best demonstrated last week, when a conference on the impact of Emu on US markets planned by the London International Financial Futures Exchange had to be cancelled because of lack of interest among the targeted American audience.

But there is a slowly dawning awareness in official and financial circles that Emu would present significant economic and political challenges for the US.

Government departments are gradually gearing themselves up for changes that might occur and there is real concern about the effect on US economic policy.

The principal worry is about the effect on bilateral economic relations. US administration officials, who have been studying Emu in some detail, have expressed concern privately that EU states' efforts to reduce budget deficits and debts to qualify for Emu membership are prolonging European stagnation, weakening the global economy.

Administration officials, notably Mr Robert Rubin, the treasury secretary, have also pressed the Europeans to stimulate growth.

The strength of the US economy at present is such that it could almost certainly ride out any weakness even in big export markets such as the European Union. But if Emu were to be delayed for a few years there might be more questions raised in Washington. If the tough fiscal conditions in Europe were to continue as the US cyclical expansion began to fade, the effect on US demand would be of greater concern.

There is real concern among officials about effect on US economic policy

The bigger question is what effect a single currency will have once it is operational. This concern comes down to a simple uncertainty: will the euro be a strong currency or a weak one?

Some US economists had expressed alarm that a super-euro, backed by a firm monetary policy by essentially German-led monetary authorities, might supplant the US dollar as the world's reserve currency. This might lead to a rise in long-term US interest rates as the attractions for investors of holding the dollar diminished.

In the early days of Emu preparation, when it appeared that Germany was insistent that the currency be backed by tough monetary discipline, the dangers of a firm euro seemed much more pressing to US officials. That fear seems to have largely disappeared. The widespread view is that any single European currency that does emerge is unlikely to be especially robust.

Rightly or wrongly, US administration officials appear to have formed the view that the inclusion of weaker European currencies to Emu will mean the euro will tend to look more like the lira than the D-Mark.

The principal risk for the US is that it would undermine the country's trading performance. The US runs a substantial trade deficit with the EU, which is likely to deteriorate further if the euro proves as persistently weak as officials expect.

In these circumstances Washington would almost certainly feel vulnerable to domestic political pressures to take a tougher stand with the EU on trade. One likely response would be to lean more heavily on European governments to undertake the kind of reforms Americans believe Europe needs.

The strong US economic performance of the past six years has created a growing sense of triumphal revivalism. The especially strong employment performance – 11m jobs created in five years – is seen by many as a powerful vindication of the free-market US approach, with highly flexible labour markets, low levels of social protection and limited regulatory interference. What Europe really needs, many economists believe, is not a single currency but a dose of US-style free market reforms.

This leads to one over-arching political anxiety about Emu. There is a sense at the top of the administration that obsession with monetary union has diverted the EU from much more pressing tasks in the post-cold war world.

The most important of these is the integration of eastern European countries. If economic and monetary union succeeds, officials believe, it will make that integration much harder to achieve. If it fails, the demoralising effect on the whole EU could stall integration.

Either way, officials fear, it could prove to have been an error of historic proportions; the opening to the east occasioned by the collapse of communism closed again. The consequence would almost certainly be prolonged political instability.

This is the ultimate fear of many in the US about the EU's current problems. Too often this century, they believe, Americans have been forced to intervene to rescue Europe from chaos. They do not wish to start the next century worrying about whether they might have to do it again.

Card groups see euro opportunities

By George Graham, Banking Correspondent

Card payments groups believe that plastic money could be the biggest beneficiary of European monetary union.

"We see tremendous business opportunities because we think plastic will be used a lot more as it will be easier during the transition," said Mr Hans van der Velde, European region president of Visa, the world's largest card consortium, which has set up a business centre to help its member banks with the adaptation.

This is welcome news for banks, which in many respects see the introduction of the planned single currency – the euro – as a costly burden. "As a bank, you have to invest so much money in this that if you can find something to offset at least a part of the cost, you are going to be very enthusiastic about it," said Mr van der Velde.

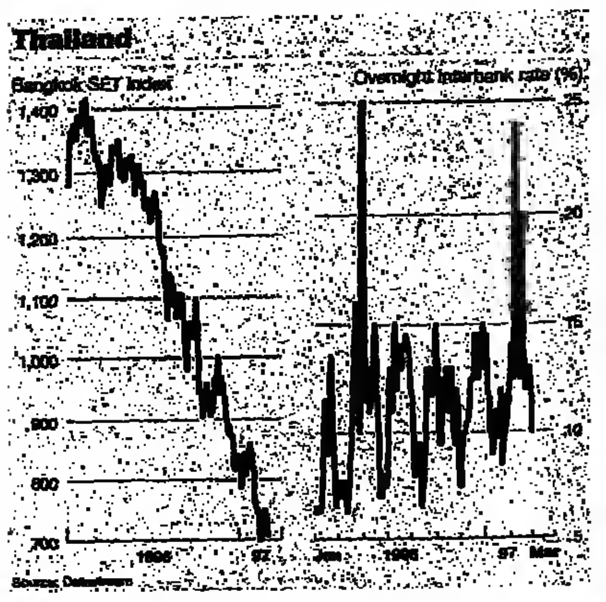
Visa has nearly 100m cards in issue in Europe, with spending running at around \$340bn a year. But the organisation predicts that spending on cards could triple over the next three to five years.

Some of that increase will be driven by Emu, but Mr van der Velde sees the euro merely spurring a trend, as payments move from the age of paper to a phase in which payments systems become mechanisms for the electronic exchange of information.

The euro, however, will not only help traditional credit and debit cards, Mr van der Velde believes, but also stimulate appetites for stored value cards, or electronic purses. Visa is conducting trials on a card it calls Visa Cash, which can be preloaded with money and used instead of coins for small transactions such as bus fares. Mr van der Velde says: "It is an advantage that monetary union and stored value cards are coming along simultaneously, because the single currency makes it necessary to change and stored value makes it necessary to change. Both changes reinforce each other."

Since retailers and vending machine operators will have to change their equipment to cope with the euro Visa sees an opportunity to persuade them at the same time to upgrade them to deal with stored value cards. For Visa itself, converting systems to handle the euro will be a minor task. Where most financial software systems operate with only one base currency, payment card consortia by their nature operate in multiple currencies. At its simplest, that means every credit card payment slip already has a box to stipulate the currency being used, where an ordinary cheque probably does not.

"The technology is very easy. We added 16 new currencies when the Soviet Union fell, without any big disruption, and this will be no harder," Mr van der Velde said.



Thai victim of a deadly financial cocktail

By Ted Bardacke in Bangkok

Even if it had been taken earlier, Thailand's decision yesterday to suspend trading in financial stocks along with a host of other emergency measures might not have been enough to prevent the failure of the country's largest finance house.

For months the talk had been which finance company would be the first to fall victim to the deadly cocktail of high interest rates, a slowing economy and a growing volume of bad debt.

Few expected it to be Finance One, the largest of a number of Thai finance houses concentrating on lending to people and companies who find difficulty in borrowing from banks. Led by Mr Pin Chakkaphak, in the early part of the decade the company was a darling of the domestic financial community after a series of audacious takeovers and acquisitions.

But despite its $3.8bn in assets, the central bank was forced to back a rescue of Finance One by Thai Danu Bank at the weekend. The affair exposed Thailand's policy dilemma: how to ensure macroeconomic stability without damaging the country's financial system.

The mechanism to achieve this balance has been high interest rates. With export growth slowing and a high current account deficit prompting continuing market jitters, the central bank has raised rates sharply to protect the currency – the baht – from speculators and to keep foreign capital flowing in.

But high rates and other tight money measures have made it difficult for over-extended property developers to repay loans and have pushed funding costs for financial institutions to dangerous levels.

"The need to defend the currency with high interest rates is really straining the financial sector," said Mr George Morgan, Thailand Representative of HG Asia and president of the foreign brokers group. "We're moving towards a scenario of finance company meltdown which will put more strains on the banks."

Finance One was the first casualty of the meltdown. While 47 per cent of its loans are in the two problem areas of property and hire purchase – high for the industry – its non-performing loans totalled only 4.8 per cent of total loans, well below the industry average.

Depositors have begun a flight to quality, withdrawing their money from finance companies and placing it with the bigger commercial banks. This has forced finance companies to turn to the expensive and volatile interbank and interfinance markets – where interest rates have reached as high as 30 per cent.

Analysts say yesterday's emergency measures, requiring banks and finance companies to increase provisions for bad debts and raise their capital base, would not have prevented Finance One from failing. The central bank-backed merger between Finance One and Thai Danu Bank is not likely to be the last. There are many more troubled finance companies waiting in the wings.

The troubles have been brought on in part by a stock market that has sunk by 44 per cent over the past 14 months, the result of plunging economic growth and corporate earnings.

There is concern now that with so many companies with liquidity and asset quality problems likely to turn to the central bank for help, there may not be enough money to go around.

"If speculators decide to attack the baht again – and I fear that they might – the authorities are going to have to make a very clear choice between finance companies and the baht," says one top analyst.

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China joins forum on forex

By William Dawkins in Tokyo

The first regional financial forum to include China will convene today in Japan to discuss greater central bank co-operation in the foreign exchange markets.

China is the world's second largest holder of foreign exchange reserves, $105bn, after Japan, which has $218.2bn.

Officially dubbed the "six markets meeting," the US-Japan initiative will bring together top central bank and finance officials from the US, Japan, China, Hong Kong, Singapore and Australia.

Japanese officials hope to discuss possible joint action to avert the repetition of a Mexican-style 1995 currency crisis in Asia, and are eager to use the meeting to draw China more into regional economic co-operation.

The six will also discuss financial deregulation and economic policy. The forum, intended to meet regularly, is seen by economic analysts as another mark of international acceptance of Asia's growing economic importance.

"It is a recognition of the coming of age of Aslan markets," said Mr Robert Feldman, chief economist at Salomon Brothers Asia.

Like other Asian regional gronps, the six markets meeting will concentrate on building contacts and consensus, rather than concrete conclusions.

US officials have indicated that they want to stress economic deregulation in the region. That inclndes Japan's plans for a "big bang" financial deregulation by 2001, also to be the subject of separate talks today between Mr Lawrence Summers, deputy US treasury secretary, one of the two US delegates to the meeting, and Mr Hiroshi Mitsuzuka, the Japanese finance minister.

Before leaving Washington, Mr Summers said financial reform was the best way to sustain a dynamic Japanese economy.

Mishandling of transition would deal severe blow, says US

Summers warns China on HK

By John Ridding in Hong Kong

A senior US treasury official yesterday warned Beijing that mishandling of Hong Kong's transition to Chinese sovereignty would deal a severe blow to its own interests as well as to the territory's economy.

"If it encroaches or is perceived to encroach upon Hong Kong's autonomy, Hong Kongers have the ability to make such actions extremely costly – either by leaving Hong Kong or by transferring their funds," said Mr Lawrence Summers, deputy treasury secretary. "Such changes could be disastrous for the Hong Kong economy, but the loss to China would be immense."

The warning was one of the clearest statements so far of the importance Washington is attaching to Hong Kong's return to China in July.

In addition to the significance of its economic interests in Hong Kong, which include accumulated investment of some US$14bn, the US views the handling of the transition as a gauge of Beijing's moves towards reform and towards relations with the world community.

Tough words from Lawrence Summers (left) and soothing words from Donald Tsang

Mr Summers cited positive steps in the transition process, including last month's announcement by Mr Tung Chee-hwa, the territory's future leader, that he would retain all top policy officials.

"It adds weight to the reassurances that have been given at the highest political levels that Hong Kong's sound financial and economic system will remain intact."

But the US official said that China's plans to replace the territory's existing legislature and to amend laws concerning civil liberties had raised concerns.

"It is essential that China allows Hong Kong to be Hong Koog," he said. "If *there is* to be *some* convergence of systems over time, it would be beneficial to all involved that China's system becomes more like Hong Kong's."

In addition to accumulated Hong Kong investmeot of almost US$70bn in China, Mr Summers said the territory provided a source of technical expertise in economic and financial management.

"The majority appears to view transition as something that China is doing to Hong Kong. But the reversion process... will have just as big an impact on China."

Mr Summers underlined the importance of free information for the Hong Kong system. Dismissing the view that politics and economics could be separated, he said: "There is no firewall between economic freedom and freedom in its many other dimensions. The free flow of information is essential to free society, to free markets, and to a strong financial system."

China has rejected criticism of its handling of the transition, describing it as an internal affair. But the US administration has signalled that the handover will be a *factor* in determining bilateral relations. "We will be watching events in Hong Kong closely," he said.

Tsang dismisses doom merchants

Hong Kong's financial secretary is confident ahead of next week's budget

By John Ridding and Guy de Jonquières

Mr Donald Tsang, Hong Kong's financial secretary, is at the sharp end of one of the most sensitive aspects of the territory's return to Chinese sovereignty – the defence of its economic autonomy.

Confirmed last month in his post, he must steer the economy through the transition. It will not be easy.

Mr Tsang has voiced his own fears over Beijing's plans to replace the territory's elected legislature and amend its laws on civil liberties. But in an interview ahead of his budget next week, which will span the July handover, he sought to dismiss gloomy scenarios.

The Chinese were not ogres, he said, insisting mistrust of Beijing was excessive. They had a vested interest in Hong Kong's success and a working knowledge of what made the territory function. China's President Jiang Zemin, whom he met last year, "clearly understands these issues".

Preparations for the budget, said Mr Tsang, were "unexpectedly smooth" and he had been given a free hand in drawing up his plans. "I did not feel any imposition or coercion." Although Beijing had criticised increasing welfare expenditure, the Chinese experts involved in the budget negotiations were "exceedingly cautious" in making suggestions.

The colony's economic system, said Mr Tsang, would be entrenched by its membership of international economic bodies. It is a full member of the World Trade Organisatioo and is seeking increasingly close links with the Organisation for Economic Co-operation and Development, where it is on several committees.

Some Hong Kong officials say full OECD membership has been discussed. But Mr Tsang ruled that out, noting the organisation only admitted sovereign states.

On the domestic front, Mr Tsang was positive about his relationship with Mr Tung Chee-hwa, the territory's future leader, despite differences over Beijing's plans for the territory's legislature and civil liberties laws. "My relationship with C.H. will be the same as with the governor... He will have my 100 per cent loyalty."

One possible source of tension is industrial policy, where Mr Tung has signalled sympathy for greater support for manufacturing. Mr Tsang saw no conflict over this issue or over signals that Mr Tung might assume the financial secretary's power to appoint the head of Hong Kong's *de facto* central bank.

Such a change, said Mr Tsang, would not undermine his own position. It would merely demonstrate the importance of the monetary authority, which manages the territory's foreign exchange reserves, now more than US$64bn.

Despite Mr Tsang's optimism, he identified areas of concern. One was the risk that Hong Kong might sacrifice its autonomy, whatever its institutions' strength. He also accepted that renewed inflationary pressures could take the shine off robust growth in GDP, expected to reach 5.5 per cent this year. In the absence of monetary tools, his best remedies included an increase in land supply and moves to remove labour market bottlenecks.

Such cyclical problems are familiar concerns for any finance secretary. Unfortunately for Mr Tsang, they pale beside the bigger challenges of the transition.

India seeks to boost rights of shareholders

By Tony Tassell in New Delhi

The Indian government has proposed wide-ranging regulatory changes to strengthen corporate governance and shareholder rights. If adopted, the moves would increase disclosure requirements by companies, make managements more accountable and provide greater regulatory clarity.

Seeking to revamp the country's system of corporate regulation, the Securities and Exchange Board of India, the market regulator, published a new takeover code earlier this year. It is now being considered by the government.

Yesterday's report, proposed in a governmeot committee etudy, followa increasing criticism of the management style of India's largely family-dominated corporate sector and its treatment of minority shareholders.

The committee has recommended the establishment of a new company law tribunal, a quasi-judicial body to monitor and enforce corporate regulation. This tribunal would have greater powers than the existing company law board and be independent of the government.

The committee recommended the mandatory disclosure of the turnover of business divisions within a company, the end-use of funds raised from the capital market, a new standardised cash flow statement, earnings per share, the level of foreign holdings of the share capital of a company and a more detailed break-up of debt exposures than currently required.

The changes would also limit loans to directors to education, housing and medical assistance and require the disclosure of relatives of directors working at a company. The committee recommended companies be allowed to issue derivatives and options.

Underpants debate strips politics bare

Peter Montagnon on unedifying arguments and proportional representation in New Zealand

In most countries, discussion on such a serious issue as the introduction of proportional representation would revolve round weightier matters than the price of a pair of underpants.

But New Zealand, which prides itself on a serious approach to economic and political reform, has surprised itself with a debate at precisely such a trivial level.

The opposition Labour party seized with glee recently on revelations of sleaze concerning Mr Tukoroirangi Morgan, an MP from the New Zealand First coalition partner. Mr Morgan was discovered spending funds belonging to a government-financed Maori television station on clothes from a fashionable Auckland store, inclnding a NZ$89 (US$62) pair of boxer shorts.

The affair has obsessed New Zealand not only because it raises concern about Mr Morgan's future as an MP when a by-election could wipe out tha fragile majority of the National party/NZF coalition. It also appears to set an unedifying tone for the country's first government under proportional representation.

In last autumn's election, proportional representation gave the country broadly what it wanted: a centre-right government which is slightly softer on social policies than the previous National party administration. Bnt the new government's birth was painful, marked by personality clashes.

"A lot of New Zealanders thought proportional representation would bring in more openness, greater transparency, solutious to problems and more consensus," says Mr Max Bradford, minister of labour and energy. "Most of these hopes have been dashed. Parliament is incredibly more fractious than it ever was."

Businessmen say coalition governmsnt has blunted decision-making on further deregulatioo, while the opposition sees its task as destroying the coalition by driving a wedge between its two parties. Mr Jim Bolger, prime minister, complains that it is focusing on issues, such as Mr Morgan's shopping spree, which are "very much on the small scale in terms of government's overall responsibilities".

But Labour is still seething over the coalition negotiations. It had itself expected to form a coalition with NZF, whose leader, Mr Winston Peters, held strong appeal to traditional Labour voters. But when the result left Mr Peters holding the balance with 13 per cent of the vote, he toned down most of his policies.

> 'Bolger knows of no way to rule except by mateship'

Ha stopped calling for a lower New Zealand dollar and restrictions on foreign investment and stitched up a coalition daal with the National party which gives him a prominent role as treasurer and deputy prime minister. The deal is all the more remarkable because, before he founded NZF in 1993, Mr Peters was thrown out of the National party cabinet after policy disagreements with Mr Bolger. Before the election, he had said he would never work in the same government as Mr Bolger again.

Compromises needed to reach the coalition agreement included deferral of tax cuts scheduled for this year and increased spending on health and education. Mr Bolger says that is justified because coalitions are about convergence of ideas.

Yet for many analysts the horse-trading is proof of little more than an opportunistic, and possibly temporary alliance between two ambitious men. Mr Peters wants to become prime minister; Mr Bolger is determined to stay in the post at least until autumn 1999 when President Bill Clinton is to visit New Zealand.

Mr Bolger had to form an alliance with NZF to stay in power, says Ms Helen Clark, Labour leader. "Bolger knows of no way to rule except by mateship," she says. "What Peters wants, he gets." That points to more deals which backfire, like funding for Maori television.

It also suggests a focus on *personalities* rather than policies. At centre stage is the enigmatic Mr Peters, a sharp-minded lawyer who knows how to charm voters.

Long silences in conversation betray a desire to give little away. He has stopped talking to the local press and in an interview with the Financial Times was even reluctant to spell out what his party stood for.

For some the stranglehold of such an elusive person on politics is disturbing. Stability in coalition governments comes when a "rational and centrist" party – like the Liberal Democrats in the UK – holds the balance, says Ms Clark. The snag is that the two largest parties, National and Labour, occupy the centre stage. To govern, either must seek out a junior partner which will inevitably represent special interests.

Most analysts expect the coalition to hold through its three-year term, not least because it is based on a detailed policy document. By theo NZF will be sble to demonstrate a responsible track record, Mr Peters says.

According to Mr Peters, it will not remain for long the junior coalition party. But if it is to keep growing, he will still have to cast around for a distinctive way of appealing to voters. Proportional representation has a long way to go before it brings clarity and stability.

NEWS: THE AMERICAS

Industry growth buoys economic activity

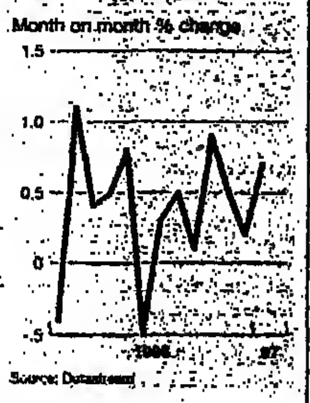
By Gerard Baker in Washington

Overall economic activity in the US continues to strengthen, buoyed by faster manufacturing growth, rising personal incomes and consumer spending, and an increase in construction, reports indicated yesterday.

Manufacturers reported an acceleration in activity in February, according to a regular survey by the National Association of Purchasing Management. The NAPM's purchasing managers' index reached 53.1 per cent last month, up from 52.0 per cent in January. A figure above 50 suggests the manufacturing sector is expanding.

The improvement was driven by strong increases last month in the number of manufacturers reporting a faster pace of production and new orders. The NAPM survey has pointed to a gradual strengthening of the manufacturing sector over the last year and the survey suggests improvement is continuing in 1997.

US consumer spending
Month on month % change



Source: Datastream

"The past relationship between the purchasing managers' index and the overall economy indicates that the average index for January and February, if continued for all of 1997, approximately corresponds to a 3 per cent increase in real gross domestic product for 1997," said Mr Norbert Ore, chairman of the NAPM's business survey committee.

The report also indicated a steady rise in prices paid by manufacturers. The NAPM price index reported a price rise in February for the third consecutive month. It was the first time since 1993 that manufacturers had reported price increases for three straight months.

A separate report published yesterday by the Commerce Department suggested the broadening economic confidence among US consumers led to a sharp rise in spending in January. Consumer spending increased by 0.7 per cent from a month earlier to a seasonally adjusted annual rate of $5,300bn, the strongest monthly gain since last October.

The spending increase was largely attributable to a rise in disposable incomes in January. Incomes from wages, salaries and all other sources rose by 0.3 per cent from a month earlier. The savings rate was unchanged at 5.4 per cent.

The longer term pace of growth in personal incomes and spending is clearly accelerating. In the three months to January, spending grew at an annual rate of 6.2 per cent, as incomes increased by 6 per cent. A year ago that three month trend pointed to spending growth of 4.1 per cent on income gains of 5.5 per cent.

The Commerce Department also reported yesterday that construction spending rose by 0.4 per cent in January after a fall of 0.9 per cent in December as private sector non-residential building jumped 2.9 per cent.

The overall implication of the reports is that the US economy is maintaining its robust pace of expansion in the first quarter of 1997. Though the growth rate is likely to be slightly slower than in the last three months of 1996, the Federal Reserve may still judge it too fast to be consistent with low, stable inflation.

If statistics in the next month confirm the continuing strength, an increase in short-term interest rates by the Fed will become more likely. That could come either at the next meeting of the central bank's open market committee later this

US cleans up trade mission rules

By Nancy Dunne in Washington

The US commerce secretary, Mr William Daley, yesterday sought to move his department away from the campaign finance scandal enveloping the Clinton administration by announcing a comprehensive policy on participants in trade missions.

Commerce department trade missions, suspended for a 30-day review after Mr Daley took office, will be resumed under a new policy which "expressly puts partisan political considerations off limits", he said. Trade missions will be widely publicised, and participants will be selected on the basis of specific criteria, mostly by the department's career officials.

The department has been fighting off charges that places in trade missions were given to Democratic party contributors. It has had to make public letters to Mr Ron Brown, the late commerce secretary, and other officials from political friends seeking places on missions.

Mr Daley refused to explain or excuse the past, noting that several investigations were dealing with the charges. However, his new policy included "an express prohibition against consideration of referrals from political parties or references to political contributions or political activities". Any such correspondence would be returned to the senders.

He said trade missions must continue to counter the help given to foreign companies by their heads of states and senior ministers. He specifically cited a mission to Asia by Chancellor Helmut Kohl of Germany, during which the Philippines awarded a $600m power plant contract to Siemens, and a trip to India by the Canadian prime minister, Mr Jacques Chrétien, which resulted in about $2.5bn in contracts.

"Our principal economic competitors – France, the UK, Germany, Japan and Canada – spend up to 10 times as much as the US on export promotion," he said. "We cannot – and we will not – unilaterally withdraw in a world in which our economic competitors are using all the tools at their disposal to pursue market opportunities aggressively for their companies."

Commerce department trade missions are run for a number of reasons. Some are simply seeking sales, others seek access for US business through the removal of barriers to trade and investment. Other missions seek to advance economic and foreign policy objectives.

In future the purpose of missions will be made clear and be widely publicised, according to the new policy statement. The process for recruiting participants would be "clear, objective and transparent ... We will ensure that, in every case, there is a demonstrably legitimate business purpose for the inclusion of each private sector participant that is consistent in every respect with the mission statement."

Companies which had business pending with the department would not be included if it apparently presented a conflict of interest. If they were seeking to market goods or services, they must be able to certify they contained at least 51 per cent US content.

AMERICAN NEWS DIGEST

Peru, Cuba in hostage talks

President Alberto Fujimori of Peru held talks in Havana yesterday with Cuba's President Fidel Castro on a possible asylum destination for Peruvian rebels holding 72 hostages at the Japanese ambassador's residence in Lima.

The Peruvian leader, whose visit was not announced in advance, flew in from the Dominican Republic, where he had held conversations on Sunday with his counterpart, Mr Leonel Fernandez, about possible solutions to the crisis.

Peru has been consulting several Latin American and Caribbean governments to see whether they might be willing to grant asylum to the members of the Tupac Amaru Revolutionary Movement (MRTA) commandos who took over the residence in Lima on December 17. The rebels have been demanding the release of more than 400 of their comrades from Peruvian jails. Mr Castro has used his government's historic links with Latin American leftwing guerrilla movements in the past to help solve siege and hostage incidents. *Pascal Fletcher, Havana*

Embargo 'hits Cuban health'

The tightening of the US embargo against Cuba in 1992 has had a devastating impact on the health of ordinary Cubans, with patients often denied essential drugs and doctors performing procedures without adequate equipment, according to a study released yesterday.

The Washington-based American Association for World Health said the impact had been particularly severe on women, children, the elderly and people with chronic diseases.

The study was based mainly on a trip to Cuba last October by nine medical experts, who visited 46 patient care facilities and 15 non-governmental organisations in Cuba.

The US State Department has said Cuba's health problems are caused primarily by what it calls Cuba's failed system. *AP, Washington*

Venezuelan bolivar slips

After nearly a year of unprecedented stability, the Venezuelan currency has depreciated from 470 bolivars to the US dollar early last week to 484 bolivars yesterday. Market sources said the bolivar lost ground in response to recent pay deals which it was thought would endanger the government's 25 per cent inflation target.

The price basket of Venezuelan crude oil, the country's main export, also decreased from $21.53 a barrel in January to $18.88. Economists said a drop in oil prices could force the government to adopt another package of austerity measures in 1998.

The bolivar's depreciation amounts to only 2.8 percentage points, but analysts said it marked a new central bank disposition to reduce its interventions in the currency market and allow the bolivar to depreciate more rapidly. Accumulated inflation since last April, when the currency was floated, amounts to 47 per cent and the central bank expected a monthly currency depreciation of 1 per cent. *Raymond Colitt, Caracas*

Toronto smokers fuming

Canada's toughest anti-smoking law took effect in Toronto yesterday, infuriating bar and restaurant owners who face heavy fines and fear customers will flee to smoker-friendly havens in the suburbs.

The law prohibits smoking at all 4,500 bars and restaurants in Canada's largest city unless owners create sealed, separately ventilated smoking rooms. Only two establishments have applied for building permits to comply with this provision.

Smokers who defy a request to stop smoking and owners who refuse to post no-smoking signs face fines of

Airline's big headache from small jet

Richard Tomkins on American Airlines' dispute over regional aircraft

The passeoger aircraft of the future is already flying in the US – and it is not supersonic, super-jumbo, or super anything else.

The jet is just a 50-seat puddle-jumper carrying passengers between small towns and cities. Yet this seemingly insignificant aircraft lies at the heart of a dispute threatening American Airlines, the secood biggest US carrier, with a potentially devastating strike.

Last week a Presideotial Emergency Board started meeting in Washington in an attempt to find a solution to the row between American Airlines and its 9,000 pilots. But the clock is ticking: the board has only 60 days to do its job.

On the face of it the dispute is over pilots' pay. But a more intractable issue is who gets to fly the new generation of small jet aircraft, known as regional jets, that are appearing on less heavily travelled routes.

Traditionally, lightly used routes have rarely generated enough traffic to justify the use of big, expensive jets. Instead, US airlines – or, more often, their commuter affiliates – have serviced the routes with small, propellor-driven aircraft.

Unfortunately, US passengers dislike turbo-props, seeing them as cramped, noisy and unsafe. Hostility became acute after the crash of an American Eagle ATR-72 turbo-prop aircraft in Indiana in 1995, which killed 68.

Such is the antipathy towards turbo-prop aircraft that many people will drive long distances to avoid using them. Some towns subsidise airlines to provide them with a loss-making jet service for fear that s turbo-prop service would hinder their economic development.

Late io 1992, bowever, Bombardier, the Canadian serospace and transit equipment group, opened the way for a minor revolution in air travel when its Canadair subsidiary launched a 50-seat jet called the Canadair Regional Jet.

Because the aircraft was a stretched version of the group's existing Challeoger business jet, Bombardier was sble to cut research and development costs and offer the new aircraft st an ecooomical price.

The current list price of US$18m is about half that of a Boeing 737, which seats more than 100.

Up and away: Brazilian aircraft maker Embraer's EMB-145 is competing for a share of the booming regional jet market *Austin J.Brown Picture Library*

The Canadair Regional Jet has proved a big success for Bombardisr: the company has already delivered 154 around the world and has firm orders for anuther 46.

Last year Embraer, the Brazilian aircraft maker, jumped into the sams market niche by launching its rival 50-seat EMB-145.

Then, last month, Bombardier announced a $475m programme to develop a 70-seat version of the Canadair Regional Jet, the Series 700.

Bombardier, which slso makes the world's best-selling turbo-prop, the de Havilland Dash 8, says the days of propeller-driven aircraft are far from over. Mr Pierre Lortie, president of Bombardier's regional aircraft division, says jets only really score over cheaper turbo-props on longer journeys, wheu their greater speed and productivity come into play.

"Basically it's determined by distance," Mr Lortie says. "Any flight of an bour or less should remain with turbo-props, and any flight of over an hour should be a jet."

Even so, regional jets are quickly gaining ground in the US and elsewhere. Their range means they can bypass traditional hub-and-spoke operations and offer point-to-point service ou long, thinly travelled routes that were previously unprofitable.

Air Canada, for example, has used its fleet of Canadair Regional Jets to open up 11 routes between Canada and the US in the last two years.

Mr Walter Coleman, president of the Regional Airline Association, a US industry body, says the new jets already account for 4 per cent of the US fleet of 2,200 regional aircraft. The proportion is expected to leap to 10 per cent by the end of the decade.

American Airlines is feeling the effects because the commuter affiliates of Delta Air Lines and Continental Airlines, two of its biggest rivals, have emerged as some of the most enthusiastic buyers of these regional jets.

In order to compete, American Airlines' own commuter affiliate, American Eagle, needs to start flying them too.

American Airlinas' pilots are strongly opposed to this as they fear the proliferation of small-jet routes will reduce the number of services flown by big aircraft, taking away their jobs. Instead, they want to fly the small jets themselves; but since they are paid about three times as much as American Esgle pilots – $120,000 a year on average, compared with $35,000-$45,000 – American Airlines says this is uot viable.

The airline argues that the new jets will eventually create more jobs for its pilots by feeding more passengers into its network but it has failed to convince its pilots. Unless the Presidential Emergency Board can do better, these little aircraft could soon prove to be the source of a disproportionately large amount of trouble.

India to get world-class tractor plant

By Peter Marsh

New Holland, the world's second biggest maker of tractors, is investing $50m in a plant in India in a move aimed at introducing some of the concepts from car manufacturing into the agricultural equipment industry.

The plant will make "world tractors", based on standard designs devised in the west, for export as well as being sold in the domestic market.

It is the first effort by one of the world's four big makers of tractors to set up a factory in India - seen as a potentially vast market for agricultural equipment - under its complete control.

The tractor industry in India is now dominated by local manufacturers producing machines that, by western standards, are low in power and technology, and which cost an average of about $6,000. That compares with the $30,000-$60,000 price tag of tractors sold in western Europe and the US.

Mr Umberto Quadrino, chief executive of New Holland, which is 69 per cent owned by Fiat of Italy, said the Indian project was a "breakthrough" with "tremendous opportunities" for exports.

In negotiations with the Indian government, New Holland was given permission for 100 per cent ownership of the plant, instead of the normal practice in Indian manufacturing ventures, where foreign investors share the stake with a local company.

Other companies have also successfully argued that their industries are strategically important in helping India's economy and have won the right to set up 100 per cent owned manufacturing ventures. These include Hyundai in cars and Volvo in trucks.

New Holland's plant near New Delhi will make tractors based on designs it already produces in Italy, Mexico and Turkey. However, they will be modified to provide "no frills" machines for the Indian market.

Although initially the tractors will be mainly for India, ultimately the machines could be sold with some modifications to other countries both in Asia and further afield. Mr Quadrino said India's low manufacturing costs would be a positive factor in helping exports.

The factory is expected to start up in 1998, when it should make about 18,000 machines a year. At full capacity, around 2003, annual output will be about 35,000 tractors - making it among New Holland's biggest plants. Employment should reach about 1,000 by early next century.

Farmers in India buy some 200,000 tractors a year - compared with tractor sales of some 450,000 a year in western Europe, North and South America and eastern Asia excluding China.

However, models in India mainly use 1960s technology, sometimes based on licence agreements from the rest of the world's big four tractor makers - Agco, Deere and Case, all of the US.

New Holland will make 35-75 horsepower machines at the factory that are slightly more powerful than most Indian tractors and sell at 10 per cent or so above current prices in India.

New Holland warning on UK investment, Page 8

Portugal pins hopes on Algerian gas supplies

Pipeline project will offer a competitiveness boost and aims to provide 10% of primary energy needs. David White reports

Gas has begun flowing in Portugal in one of the largest industrial projects ever undertaken in the country.

The gas comes along a spur of the Maghreb-Europe pipeline, which last year began bringing supplies from the Hassi R'Mel field in the Algerian Sahara through Morocco and across the Strait of Gibraltar to Spain.

With financial support from Brussels, Portugal has invested $1bn out of the total $2.5bn which has gone into the 2,300km pipeline.

The last country in the European Union to obtain supplies of natural gas, Portugal views the inauguration as strategically significant on three levels - providing industrial users with a competitive energy source, promoting regional development, and creating the country's most important single economic link with its Iberian neighbour and with north Africa.

Remarkably for Portugal, its part of the pipeline project has been finished on time and within budget. Total investment by Transgás, the Portuguese partner, owned by mostly state-sector shareholders, will rise to about $1.3bn when storage facilities in the centre of the country are completed. A further $1.2bn is expected to be spent on local gas distribution and power stations.

To mark the ceremonial opening of the taps, 400 international guests at a palace near Coimbra were treated to a display of laser lights, a multicultural song-and-dance show and the ministerial speeches of the "together we will meet the challenge" variety.

The one possible snag in the whole venture is that Portugal has made itself wholly reliant for its gas on a country which has been engaged in a brutal internal conflict for the last five years.

Mr Elias da Costa, Transgás's president, admits to being concerned about this new energy dependence. But, like the Spanish, the Portuguese are gambling on the theory that no possible government in Algiers would ever put gas exports at risk. "Algeria has never failed in all the time it has been supplying Spain, Italy and France," he says.

However, in addition to the 2.5bn cubic metres of gas it is due to receive annually from Algeria, Transgás plans to diversify its sources with a 500m cubic metre annual purchase of Nigerian gas, starting in 1999, supplied through a terminal at Huelva in south-west Spain. It aims to back this up with an emergency supply deal - just in case. Depending on how demand develops in both Portugal and Spain, it is also thinking of building its own Atlantic plant to receive shipments after the turn of the century.

Portugal agreed to join the Maghreb pipeline venture only in late 1994, tearing up a project with Gaz de France for shipping liquefied gas and constructing a regasification plant at Setúbal, the industrial port south of Lisbon.

Transgás took a 28 per cent stake in the Spanish-controlled venture responsible for the pipeline between the Algerian-Moroccan border and Córdoba in southern Spain. Apart from Portugal, the project is seen as a future supply route to the markets of France and Germany.

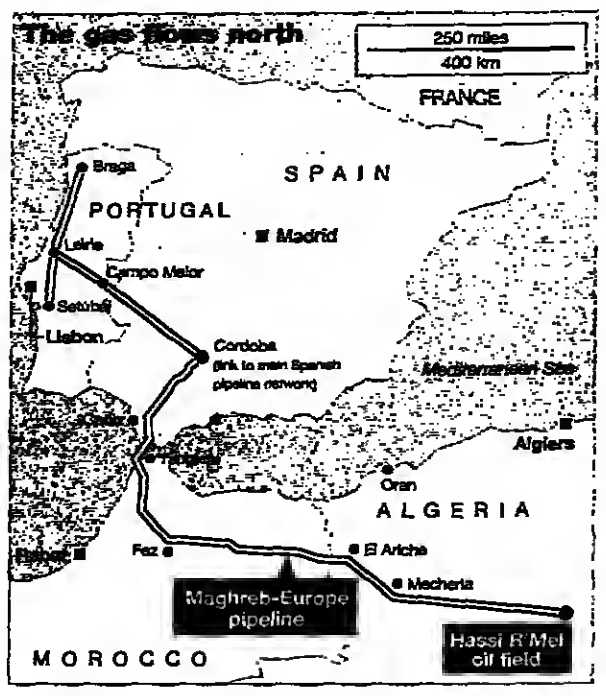
The Portuguese section now consists of about 600km of buried tubing, crossing more than 1,400 roads and three main rivers. It runs west from Campo Maior on the Portuguese Spanish border near Badajoz, to a point near the town of Leiria where it connects with a north-south line, with Setúbal at one end and the northern city of Braga at the other. Another 75km stretch is being built from Braga to Spain's north-western Galicia region.

Links from the main pipeline to local distributors and industries account for a further 279km.

Up to now, only Lisbon has enjoyed the benefit of mains gas - due to be replaced in future by natural gas. Cities such as Oporto, Coimbra, Aveiro, Leiria and Setúbal will start receiving supplies soon, and the network is due to reach into the interior to Guarda, Viseu, Castelo Branco and Portalegre by the end of next year.

In a country up to now overwhelmingly dependent on oil, gas is set to provide around 10 per cent of primary energy needs. Transgás reckons the cost savings for industries such as ceramics will bring significant gains in competitiveness.

Portugal has seen only one industrial investment larger than this one - the $2.5bn AutoEuropa joint venture between Ford and Volkswagen, inaugurated two years ago. Not surprisingly, it will be the first client for the gas.



WORLD TRADE NEWS DIGEST

Philippines to sign IT accord

The Philippine government has said it will sign the World Trade Organisation agreement on reducing tariffs on a series of information technology (IT) products. The Philippines will initially end tariffs on non-sensitive IT goods in 2000, followed by the removal of tariffs on all IT goods five years later. IT goods now are subject to tariffs of between 3 and 20 per cent.

Mr Cesar Bautista, trade and industry secretary, said the government had agreed to sign the IT agreement following the end of local opposition to the move. Manila has delayed endorsement of the accord until now because of concern from local groups which make their own IT goods. The move follows pressure from the US which has been urging members of the Asia Pacific Economic Co-operation forum to liberalise their IT sectors. Apec accounts for about 60 per cent of world IT trade which totals about $500bn a year and is expected to double by the end of the century. *Justin Marozzi, Manila*

Coca-Cola's $1.7bn expansion

Coca-Cola has unveiled plans for a five-year 45bn peso ($1.7bn) expansion programme in the Philippines through Coca-Cola Bottlers Philippines (CCBPI), a joint venture with San Miguel, the local food and beverage giant.

The Santa Rosa plant in Laguna will be one of the world's largest soft drinks manufacturing complexes with an initial annual production capacity of more than 31m cases. It will manufacture products in plastic bottles and cans. CCBPI is the Philippines' market leader with 75 per cent of the soft drinks industry.

Mr Doug Ivester, president and chief executive of Coca-Cola, said the Philippines was "one of the best performing Pacific Rim economies [and] one of our biggest and most important markets internationally." The company's investments in Laguna would give further impetus to developing an industrial corridor in the Calabarzon area, he said. *Justin Marozzi, Manila*

IBM in China parts venture

IBM China, a unit of IBM of the US, yesterday said it had set up a parts manufacturing joint venture valued at $42.5m in Shenzhen. IBM China has teamed up with China Great Wall Computer Group and Shenzhen Kaifa Technology to make magneto-resistive head gimbal assemblies - components used to manufacture hard disc drives. The venture, IBM's largest in China, will employ about 1,000 people. *AP-DJ, Shenzhen*

■ Budapest has awarded a 25-year contract to upgrade and run its drinking-water distribution system to a consortium led by Lyonnaise des Eaux of France and including Germany's RWE Entsorgung.

Lyonnaise, France's second largest water-based conglomerate, said its bid had been chosen in preference to those of rival consortia including Generale des Eaux, its bigger domestic rival, and Saur, France's third largest water group. *Leyla Boulton, Environment Correspondent*

EU urged to curb fur imports

By Caroline Southey in Brussels

European Union environmental groups yesterday urged the EU to impose, without delay, an import block on furs from animals caught with leg-hold traps. The groups also denounced a deal the EU is proposing with Canada and Russia on banning the use of some traps.

The call came as environment ministers confirmed their earlier rejection of a provisional deal struck between EU negotiators and Canada and Russia. The ministers have insisted that any agreement must ensure a comprehensive and immediate ban on the use of all leg-hold traps. EU foreign ministers have also called for fresh negotiations with the two countries with a view to firming up the proposed deal.

Eurogroup for Animal Welfare, an umbrella body for 15 leading animal welfare organisations in the EU, said the proposed deal with Canada and Russia was a "sham" which would not reduce the suffering of trapped animals. The group called on the environment ministers to maintain "the toughest possible line" in negotiations.

Eurogroup also attacked the Commission for postponing a decision on banning fur imports. "The Commission has decided again and again to postpone the import ban in fear of a threatened trade dispute. Nothing is being achieved to protect animals against cruel trapping methods," Mr David Wilkins, director of Eurogroup, said.

An EU official said negotiations with Canada and Russia would resume on March 17. He said talks with the US would begin once a deal had been struck with the other two countries. EU negotiators have failed to strike even a preliminary deal with Washington which is demanding the right to continue using steel-jawed traps if an alternative trapping method cannot be found.

EU environment ministers have led the campaign for a ban on "inhumane" trapping methods in the US, Russia and Canada, the three leading fur-producing countries. However, this issue has been caught up in a wider dispute within the EU, particularly on what concessions the union should offer to secure an agreement.

The US and Canada have said they will refer any import ban on fur to the World Trade Organisation.

Algeria, EU to discuss accord

By Roula Khalaf in London

Algeria and the European Union today open talks on a partnership agreement which aims to bring Algeria into a free trade zone encompassing the EU and southern Mediterranean countries within 12 years.

The agreement falls within the framework of the Barcelona process designed to forge closer co-operation between Europe and Mediterranean neighbours to help develop Mediterranean economies and stem the spread of Islamic fundamentalism. Agreements have already been signed with Tunisia, Morocco, Israel and the Palestinian Authority.

The EU has allocated Ecu4.6bn ($5.3bn) to help Algerian industry prepare for competition with European goods. European access to agriculture products, a main sticking point for other Mediterranean countries, is not likely to present a problem for Algeria, a net importer of food. But the country, battered by five years of struggle with Islamic militants, will baulk at the speed at which the EU wants tariffs dismantled and is likely to ask for exemptions on certain products.

Algerian industry already faces huge difficulties and, with legislative and local elections planned for this year, the government is likely to tread carefully in agreeing to reduce barriers. Production in the bloated public sector declined last year, while the private sector faces a shortage of credit and administrative constraints which prevent it from renewing equipment and competing with foreign goods.

Attracting foreign investment is at the top of Algeria's agenda. But outside the oil and gas sector, the violence deters interest.

Algeria's negotiations with the EU are being watched more for their political context. A standard clause in the agreement commits Algiers to respect democratic principles and human rights. European officials say Algeria is eager to see the agreement signed and will give the EU a tool to make disbursement of aid conditional on political developments.

A European official in Brussels said an agreement did not signal EU endorsement of Algeria's political record, although there were indications of progress towards greater democracy.

INTERNATIONAL ECONOMIC INDICATORS: BALANCE OF PAYMENTS

Trade figures are given in billions of European currency units (Ecu). The Ecu exchange rate shows the number of national currency units per Ecu. The nominal effective exchange rate is an index with 1985=100.

■ UNITED STATES

	Exports	Visible trade balance	Current account balance	Ecu exch. rate	Effective exch. rate
1986	231.0	-140.8	-153.4	0.9838	81.4
1987	220.2	-131.8	-144.1	1.1541	71.9
1988	272.5	-100.2	-107.4	1.1833	67.0
1989	330.2	-89.3	-84.3	1.1017	70.0
1990	309.0	-79.3	-72.7	1.2745	66.7
1991	340.5	-53.5	-6.0	1.2391	65.7
1992	345.9	-66.2	-47.5	1.2957	64.4
1993	397.3	-98.7	-85.4	1.1705	66.3
1994	432.3	-127.0	-125.2	1.1857	65.1
1995	452.3	-122.8	-114.6	1.2928	61.2
1996	498.7	-131.6		1.2526	64.4
1st qtr.1996	121.2	-30.6	-27.7	1.2570	63.7
2nd qtr.1996	126.2	-32.7	-32.8	1.2362	64.8
3rd qtr.1996	122.3	-36.3	-38.0	1.2613	64.4
4th qtr.1996	129.0	-32.2		1.2557	65.0
January 1996	39.1	-11.5	n.a.	1.2634	63.6
February	41.2	-9.3	n.a.	1.2536	63.8
March	41.0	-8.6	n.a.	1.2541	63.8
April	41.8	-10.5	n.a.	1.2421	64.3
May	42.8	-11.7	n.a.	1.2282	64.6
June	41.8	-10.4	n.a.	1.2383	64.8
July	40.0	-12.4	n.a.	1.2563	64.6
August	41.3	-11.3	n.a.	1.2688	64.1
September	41.0	-12.6	n.a.	1.2587	64.7
October	43.0	-10.1	n.a.	1.2538	65.0
November	42.9	-10.0	n.a.	1.2706	64.4
December 1996	43.0	-12.1	n.a.	1.2428	65.5

■ JAPAN

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1986	208.9	94.2	67.2	165.11	127.7
1987	194.7	83.7	75.5	166.58	138.8
1988	218.7	79.8	67.0	151.51	153.7
1989	245.5	70.6	53.4	151.87	147.0
1990	220.0	50.0	28.5	183.84	132.5
1991	249.4	77.7	57.4	166.44	143.7
1992	256.6	98.2	86.7	164.05	150.7
1993	300.4	118.6	112.5	130.31	181.0
1994	325.1	121.9	110.6	120.98	194.9
1995	331.3	101.4	85.5	121.43	204.8
1996	320.0	66.8	52.7	136.24	177.7
1st qtr.1996	78.6	16.8	12.2	132.92	182.0
2nd qtr.1996	81.7	18.1	12.2	132.80	180.8
3rd qtr.1996	78.5	15.9	14.8	137.43	176.6
4th qtr.1996	81.2	17.6	13.3	141.72	171.2
January 1996	25.5	5.6	4.3	133.43	182.1
February	27.1	4.3	3.4	132.48	182.1
March	28.1	7.0	4.5	132.84	181.8
April	26.5	3.7	2.8	133.12	180.7
May	28.7	5.8	4.6	130.87	183.1
June	26.5	6.6	4.8	134.81	178.2
July	26.7	4.5	4.7	137.21	176.8
August	26.5	6.3	6.5	136.84	178.2
September	26.3	5.1	3.7	138.24	175.7
October	27.2	5.3	3.8	140.92	172.2
November	27.9	7.8	5.8	142.64	171.8
December 1996	26.1	4.9	3.6	141.59	170.2

■ GERMANY

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1986	248.5	53.5	41.8	2.1279	108.8
1987	254.4	56.8	40.8	2.0710	114.9
1988	272.8	61.4	42.4	2.0739	114.1
1989	310.1	65.1	51.5	2.0681	113.3
1990	324.8	51.6	38.3	2.0537	118.1
1991	327.6	11.1	-14.6	2.0480	117.1
1992	330.9	16.8	-15.0	2.0187	120.6
1993	325.2	30.8	-11.6	1.9337	125.3
1994	360.3	37.6	-18.6	1.9198	125.6
1995	404.4	45.8	-16.1	1.8509	132.1
1996				1.8844	128.6
1st qtr.1996	103.0	11.8	-2.8	1.8455	130.6
2nd qtr.1996	101.8	11.5	-3.5	1.8821	128.2
3rd qtr.1996	104.8	14.5	-5.8	1.8884	128.7
4th qtr.1996				1.9217	127.0
January 1996	34.2	2.8	-2.7	1.8460	131.0
February	34.4	4.8	0.5	1.8377	130.8
March	34.4	4.0	-0.6	1.8526	130.1
April	34.2	4.3	-0.6	1.8715	129.0
May	33.6	4.3	-1.5	1.8826	127.7
June	33.8	3.0	-1.4	1.8921	127.8
July	35.4	5.5	-2.6	1.8888	128.5
August	34.6	4.4	-2.3	1.8808	129.2
September	34.8	4.6	-0.7	1.8957	128.3
October	35.7	4.8	-0.7	1.9157	127.3
November	35.8	4.8	0.2	1.9207	127.3
December 1996				1.9286	126.2

■ FRANCE

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exch. rate
1986	127.1	0.0	3.0	6.7946	102.7
1987	128.3	-4.6	-3.7	6.9285	102.7
1988	141.9	-4.7	-3.4	7.0354	100.6
1989	162.9	-6.3	-3.6	7.0169	99.8
1990	170.1	-7.2	-7.2	6.9202	103.6
1991	175.4	-4.2	-4.9	6.9643	102.1
1992	182.5	4.5	2.9	6.8420	105.4
1993	178.8	13.3	8.0	6.6281	109.1
1994	198.8	12.9	6.4	6.5659	110.1
1995	222.1	15.8	12.4	6.4460	113.4
1996	231.2	19.3		6.4068	113.3
1st qtr.1996	58.0	4.7	6.1	6.3281	113.8
2nd qtr.1996	56.2	3.8	3.2	6.3772	113.4
3rd qtr.1996	58.2	5.1	4.3	6.4242	113.2
4th qtr.1996	58.8	5.7		6.4976	112.5
January 1996	18.2	1.3	2.5	6.3221	114.4
February	18.9	1.8	1.7	6.3188	113.7
March	19.8	1.8	2.0	6.3434	113.7
April	18.5	0.5	0.6	6.3489	113.8
May	18.3	1.8	1.2	6.3707	113.3
June	18.5	1.5	1.5	6.4121	113.0
July	19.1	1.6	0.0	6.3965	113.7
August	19.6	2.1	1.8	6.4231	113.2
September	19.5	1.5	2.7	6.4532	112.8
October	20.2	2.6	2.1	6.4770	112.8
November	18.8	1.4	1.2	6.5001	112.6
December 1996	19.8	1.7		6.5156	111.9

■ ITALY

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1986	99.4	-2.5	-1.4	1461.6	101.4
1987	101.0	-7.7	-2.1	1494.3	101.1
1988	108.3	-8.9	-8.0	1536.6	97.7
1989	127.8	-11.3	-17.0	1509.2	98.6
1990	133.6	-8.3	-18.0	1523.2	100.1
1991	137.0	-10.5	-17.7	1531.3	98.7
1992	137.8	-8.0	-21.5	1591.5	95.8
1993	144.9	18.1	9.7	1836.7	80.6
1994	161.4	18.8	13.1	1908.8	77.0
1995	182.0	22.6	20.1	2106.4	68.4
1996			21.0	1932.1	75.8
1st qtr.1996	47.8	4.8	-1.2	1976.7	73.2
2nd qtr.1996	51.6	8.8	10.7	1922.3	76.9
3rd qtr.1996	47.6	11.3	6.8	1916.4	76.7
4th qtr.1996			2.9	1911.2	77.8
January 1996	13.6	0.1	-1.1	2001.4	72.4
February	16.3	2.1	1.2	1969.6	73.3
March	18.0	2.7	-1.3	1958.1	74.0
April	18.2	2.3	2.4	1944.9	74.8
May	18.1	3.9	4.0	1912.2	76.2
June	17.4	3.7	4.3	1909.8	76.8
July	18.7	6.3	2.7	1918.1	76.6
August	11.9	3.5	5.4	1923.6	76.4
September	16.0	1.4	0.7	1913.2	77.0
October	19.1	4.0	1.3	1911.4	77.5
November	17.1	3.0	1.8	1922.6	77.2
December 1996			-0.1	1899.5	78.1

■ UNITED KINGDOM

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1986	108.3	-14.2	-1.3	0.6708	91.1
1987	112.6	-16.4	-6.8	0.7047	89.3
1988	120.8	-32.3	-24.8	0.6643	94.7
1989	137.0	-36.7	-33.3	0.6726	91.9
1990	142.3	-26.3	-26.2	0.7150	89.8
1991	147.7	-14.7	-11.4	0.7002	90.5
1992	145.9	-17.8	-13.8	0.7358	87.1
1993	156.0	-17.2	-13.8	0.7780	79.9
1994	174.1	-14.0	-3.1	0.7736	80.1
1995	186.0	-14.2	-4.8	0.8190	76.2
1996	206.9	-15.5		0.9026	77.5
1st qtr.1996	49.8	-4.6	-1.8	0.8208	75.0
2nd qtr.1996	51.2	-3.8	0.6	0.8113	76.1
3rd qtr.1996	51.4	-3.7	-0.1	0.8113	76.8
4th qtr.1996	54.8	-3.4		0.7670	82.1
January 1996	16.3	-1.8	n.a.	0.8254	74.8
February	16.6	-1.7	n.a.	0.8159	75.3
March	16.7	-1.3	n.a.	0.8212	75.0
April	16.8	-1.5	n.a.	0.8201	75.2
May	17.3	-1.1	n.a.	0.8106	76.0
June	17.1	-1.1	n.a.	0.8031	77.2
July	17.3	-1.4	n.a.	0.8085	77.0
August	16.8	-0.8	n.a.	0.8185	76.1
September	17.3	-1.4	n.a.	0.8070	77.4
October	18.2	-1.0	n.a.	0.7904	79.4
November	18.0	-1.4	n.a.	0.7642	82.6
December 1996	18.6	-1.1	n.a.	0.7465	84.4

Due to the introduction of the single market, EU countries are currently changing to a new system of compiling trade statistics. All trade figures are seasonally adjusted, except for the Italian series and the German current account. Imports can be derived by subtracting the visible trade balance from exports. Export and import data are calculated on the FOB (free on board) basis, except for German and Italian imports which use the CIF method (including carriage, insurance and freight charges). German data up to and including June 1990, shown in italics, refer to the former West Germany. The nominal effective exchange rates are period averages of Bank of England trade-weighted indices. Data supplied by Datastream and WEFA from national government and central bank sources.

Clinton critical of Israeli homes plan

By Patti Waldmeir in Washington and Judy Dempsey in Jerusalem

US President Bill Clinton yesterday criticised Israel's decision to build homes for Jews in Arab east Jerusalem as he welcomed Mr Yassir Arafat, Palestinian leader, to the White House.

"I would have preferred the decision not to have been made, because I don't think it builds confidence," he said at the start of a meeting with Mr Arafat. "I think it builds mistrust."

Mr Arafat, who has used his visit to the US to try to build American opposition to the Israeli plan, said the Har Homa project was designed "to squeeze and isolate Jerusalem".

He said in Washington on Sunday night that the plan violated accords and was aimed at further dividing the West Bank. However, he did not repeat a threat made on Saturday that he might declare an independent Palestinian state in response to Israel's move.

Mr Arafat's visit – part of a series of visits by Middle East leaders to Washington – was planned before the most recent crisis erupted.

Mr Benjamin Netanyahu, Israeli prime minister, met Mr Clinton last month. News of the planned settlements could jeopardise the more positive relationship between the two men, which Israeli officials hailed as the main achievement of that meeting.

Mr Clinton plans to meet Mr Hosni Mubarak, the Egyptian president, and Jordan's King Hussein later this month.

Mr Arafat left the White House after e 90 minute meeting without making further comment. He later attended e lunch with Mrs Madeleine Albright, secretary of state.

In Israel, Mr Netanyahu toured parts of east Jerusalem yesterday in an attempt to deflect criticism from the Har Homa project. He repeated his pledge to upgrade the infrastructure of Arab neighbourhoods. Many shops and schools were closed in protest.

Meanwhile, Israeli officials said they did not expect to complete by next Friday the first of three troop withdrawals from rural areas of the West Bank.

The long-overdue redeployments, agreed in the 1995 Oslo peace accords, were included in January's Hebron deal which led to an Israeli troop withdrawal from the West Bank town of Hebron. It was agreed the initial phase of the redeployment would be "carried out during the first week of March".

The three redeployments will give the Palestinian Authority control over areas of the West Bank currently under Israeli military edministration but under Palestinian civilian rule.

The extent of Israel's withdrawal is unclear, but the last redeployment should take place not later than mid-1998.

Israeli officials yesterday denied that delay in implementing the first phase of the redeployment was linked to the construction of the Har Homa project. They said the more rightwing and nationalist parties in the conservative Likud coalition led by Mr Netanyahu were opposed to the first redeployment.

Yassir Arafat greets members of Washington's Arab community at a Palestinian-American Congress dinner Reuter

Threat to insurer over Holocaust compensation

Israel MPs to debate action on Generali

By Avi Machlis in Jerusalem and Norma Cohen in London

Israeli parliamentarians will tomorrow discuss measures that could be taken to compel Assicurazioni Generali, the Italian insurance company, to agree to compensate families of insurance policyholders murdered by the Nazis during the second world war.

Generali is poised to acquire e controlling stake in Migdal, one of Israel's leading insurers, in a deal valued at about $330m. "We will not accept the foot-dragging this time," said Mr Michael Kleiner, an MP and chairman of the Knesset [parliament] insurance subcommittee, who has spearheaded a campaign to force Generali to pay out on dormant insurance policies.

Mr Abraham Hirschson, an MP and chairman of the sub-committee for the restitution of Jewish property, along with members of Mr Kleiner's insurance subcommittee will be questioning Mr Doron Shorer, e finance ministry official responsible for the insurance industry.

The MPs want to know whether it is possible to delay completion of the sale until it is established that Generali is not purchasing Migdal with assets belonging to Holocaust victims or their heirs. Mr Kleiner said the MPs would also demand that Generali agree to open files in e warehouse in Trieste, northern Italy, to independent Jewish organisations.

Yad Vashem, the Israeli-based Holocaust research institute, estimates 60 per cent of the "tens of thousands" of policies lodged in that warehouse belonged to Jews who survived or perished in the Holocaust.

Generali was formed in 1831 by a group of Jewish insurers and built up e significant market share in eastern Europe, particularly among Jews.

Mr Hirschson compared the Generali case to that of Swiss banks which also "originally said they had no names or information" on dormant accounts of Holocaust victims, but recently conceded and established a compensation fund. He said plans were under way for a class-action suit in Europe or the US against Generali.

Generali has rejected responsibility for these claims, saying that all of their eastern European assets were expropriated by the post-world communist regimes.

Ms Elisheva Anspacher, a lawyer for 15 families seeking proceeds of Holocaust victims' Generali insurance policies, is pressing legislators to delay the purchase of Migdal until some compensation is agreed.

Generali has insisted her clients produce the original policies before it will pay claims, according to Ms Anspacher. "Most of my clients didn't have their documents when they came back from the concentretion camps."

On Sunday the weekly Swiss newspaper Sonntags Zeitung said Swiss life insurers collaborated with the Nazis and agreed in 1944 not to pay out on German Jews' insurance policies from their Swiss offices.

UN agencies clash over staff

By Bernard Simon in Toronto

A row between two UN environmental agencies has been further stoked by accusations that under-performing staff will be dumped in one of the groups.

The Montreal-based secretariat of the Convention on Biological Diversity (CBD) has accused the United Nations Environment Programme of forcing it to hire Unep officials whose jobs are threatened by budget cuts.

UN member states have recently intensified pressure on Unep to implement long-delayed administrative and other reforms which would result in significant staff shrinkage.

The UK, US and Spain last month withheld their 1997 contributions to the Nairobi-based agency after India, Bangladesh and Colombia led a move among developing countries to block the proposed reforms.

The long-running dispute with the CBD culminated in Unep dispatching its ombudsman to Canada last week. Ms Elizabeth Dowdeswell, Unep executive director, earlier voiced concern to Mr Calestous Juma, CBD executive secretary, over "complaints... about the performance at a high level of the [CBD] secretariat".

Ms Dowdeswell, a Canadian, is due to step down at the end of the year. She has been criticised by some member states for failing to implement reform with sufficient vigour.

According to Ms Dowdeswell, the allegations against Mr Juma and his staff "are at the moment unsubstantiated". But she said they merited "an independent and transparent enquiry".

The CBD, set up after the 1992 Rio de Janeiro summit on the environment, is nominally independent of Unep. However, Unep administers its budget and controls recruitment of personnel.

The Canadian Institute for Business and the Environment, which has close ties to the CBD, said the pressure to hire departing Unep officials had "stymied" the secretariat's work. It alleged that many of the departing employees were "the same people that have led Unep to its current state of affairs".

Morocco urged to amend its privatisation law

By Roula Khalaf

Morocco should amend its privatisation law and scrap the system of listing companies awaiting sell-off, according to Mr Abderrahmane Saaidi, minister of privatisation.

Under the 1989 privatisation law, even the selling of minority stakes in affiliates of state entities requires parliamentary approval. But Mr Saaidi said in an interview that these stakes should be sold to the public by the enterprises concerned, without going through parliament.

Morocco's sale of its public sector, which accounts for about 18 per cent of gross domestic product, got off to a healthy start in 1993. But the best companies were sold first and the pace has slowed as the privatisation ministry struggles to shed less popular concerns. Only 49 of the original 112 companies on the privatisation list have been sold, raising just $1.1bn.

Mr Saaidi said the programme was on track but he now concluded that placing a company on a privatisation list was detrimental. Such a list demoralised management, scared workers and stopped investment, he said.

Morocco should instead create a list of companies which were not to be privatised and allow the ministry to pick companies for sale when it was ready to sell them.

However, Mr Saaidi has had difficulty getting his

ernment and opposition parties in Morocco, yet every sale still generates heated debate. Parliament is opposed to Mr Saaidi's proposals, which would dilute its powers over the sell-off process. It is, however, ready to add new names to the privatisation list.

Meanwhile, the minister's relationship with opposition parties has grown acrimonious, after an opposition deputy accused him of selling a hotel to a foreign investor at a price lower than that offered by the deputy.

Mr Saaidi has also asked for procedural changes, especially in setting sale prices. Under current rules, an independent evaluation committee sets a minimum price for a company, but the minister wants an indicative price, with the final figure decided on by the market.

However, his proposal has not moved beyond the finance ministry.

Mr Saaidi said the privatisation programme would continue to progress. Several sales were in their final stages, including the shedding of a 70 per cent stake in the Samir oil refinery.

Crucially, he added, parliament should this month vote on a draft law to liberalise the telecommunications sector and open up its capital to the private sector, although the state might retain a minority stake.

The liberalisation would start with a private licence for mobile phone operators. But within 18 months it was possible that a first sale of shares could be made on the

Rate of job cuts to accelerate

Strength of pound worries British Steel

By Stefan Wagstyl, Industrial Editor

British Steel intends to accelerate job cuts in response to the rise in the pound and fears that staying out of European monetary union could give a further boost to sterling.

Sir Brian Moffat, the chairman, last month ordered senior managers to give top priority to cost-cutting amid signs that the pound looks likely to remain strong following its 23 per cent rise against the Dmark since the start of last year.

Sterling closed in London yesterday at DM2.743 compared with a value of DM2.222 at the beginning of 1996.

British Steel fears that the pound's strength will make it more difficult for the company to compete against imports and will harm UK industry's international competitiveness.

The company loses an estimated £100m ($163m) profit for every 10 pfennig rise in the pound.

The group, which has been shedding between 500 and 1,000 posts a year in the 1990s, is proposing to cut well over 1,000 in the financial year starting in April.

It will continue cutting more than 1,000 jobs annually unless there is a dramatic reversal in the pound. "There is a new sense of urgency; though it is early days to quantify the cuts, we will see a real liftoff," said Mr John Bowden, director for investor and media relations, yesterday.

Sir Brian first warned last year that the strong pound might bring job cuts. Specific decisions are likely to be announced by July.

British Steel, which last closed a big steelworks in 1992 when it shut Ravenscraig in Scotland, has no plans to close further sites.

A French-owned group, Metabrasive, has invested £16m ($26m) in an electric arc furnace on a once-derelict site at Bilston in the English Midlands where steel was made for more than 200 years, Stefan Wagstyl writes. Metabrasive, a subsidiary of the French conglomerate CGIP, employs 150 people in the UK and 50 in South Africa producing ultra-hard steel for use in abrasives for cutting and polishing metal. Mr Chris Scarrott, managing director, said the new plant would safeguard existing jobs. Turnover was forecast to rise from £27m last year to £35m ($57m) in 1997 with the help of the new plant.

But the company's aim of improving efficiency in UK steelmaking could lead to closures at smaller sites in the longer term.

Among plants which might be vulnerable is Shelton in the English Midlands. British Steel warned in 1995 that it might close, during a dispute with the European Commission over state aid for Irish Steel, the Republic of Ireland producer. Shelton is now cutting staff by 25 per cent to about 300.

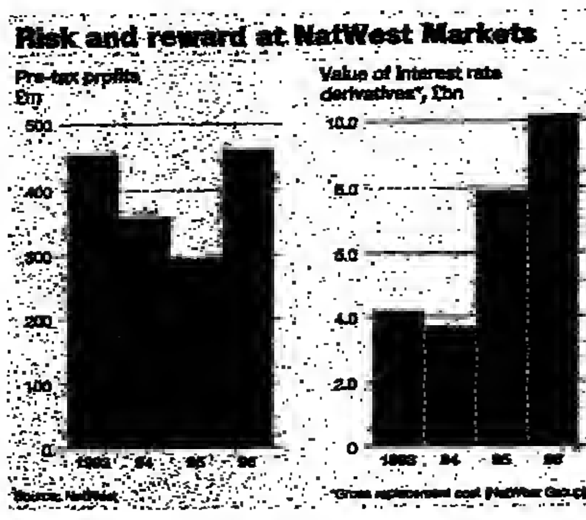
However, in the immediate future British Steel is more likely to concentrate on piecemeal investments, reducing jobs by installing labour-saving equipment.

Mr Bowden said that even though British Steel is the lowest-cost steelmaker in western Europe it still had further to go in increasing efficiency. For example, at Trico, the US venture in which British Steel has a stake, 500-600 people produce 2m tonnes of steel a year. By contrast, in the UK operations, 4,000 workers directly involved in steelmaking produce 3m to 4m tonnes.

Discovery of losses hits NatWest shares

US bank says former London trader is 'on leave, pending further investigation'

By John Gapper and George Graham



Phil Wise
Former head of NatWest Debt Capital Markets

Shares in National Westminster Bank were marked down sharply by investors yesterday following Friday evening's disclosure that it was setting aside £50m ($81m) to cover losses in a trading book run by Mr Kyriacos Papouis, a junior trader.

Although most of the £460m loss in NatWest's market value was caused by its shares going ex-dividend, the fall of 27 pence in its shares also reflected worry that the bank had failed to notice the mispricing of options last year.

Bear Stearns, the US investment bank to which Mr Papouis, aged 30, moved at the end of last year, said that he was "on leave, pending further investigation". NatWest has asked to interview Mr Papouis as part of its inquiries.

NatWest's inquiries are thought to be focusing on whether Mr Papouis mispriced some trades in the second half of last year to conceal losses. Mr Neil Dodgson, to whom he reported, has been suspended for failing to supervise him.

Mr Dodgson's direct manager is Mr Jean François Nguyen, the head of fixed income derivatives at NatWest Markets, the bank's investment banking arm. Until the start of the year, Mr Nguyen reported to Mr Phil Wise, head of debt capital markets. Mr Wise has now become NatWest Markets' chief administrative officer, in charge of risk.

Other investment banks involved in European interest rate options said NatWest Markets had made several big trades during the last quarter, which could have been intended to hide losses.

However, some investment banks said NatWest also appeared to have been using an option pricing model that underrated the risk of some types of transaction. "It does not say a great deal for their controls," said one trader.

NatWest said that it expected to reach initial findings in its inquiry by next week. It has hired an accountancy firm to help with the investigation, but said it did not expect to take any further action until this is complete.

The incident has further highlighted the difficulties faced by investment banks in controlling traders. Details emerged as the Bank of England, the UK central bank, reiterated a warning over bonus schemes that reward short-term performance by traders.

Mr Howard Davies, deputy governor of the central bank, said on BBC radio that it did "not make sense" for banks to have both bonus systems that encouraged risk-taking by traders and weak control systems to check on abuses.

Tax threat to firms in liability manoeuvre

By Jim Kelly, Accountancy Correspondent

The Inland Revenue yesterday threatened accountancy firms with potentially crippling tax bills if they register in Jersey to try to limit the legal risks faced by partners.

The move – which came in a private letter to the accountancy firm Price Waterhouse – may prompt a judicial review and a long battle in the courts. A senior partner at one firm said: "We are not giving up."

The firms, which include law firms, want to register in Jersey, the largest of the Channel Islands between England and France. A law there protects the personal assets of partners from actions for damages although the assets of the firm and negligent partners can still be at risk.

At the moment partners in the UK pay income tax. If firms which registered in Jersey were taxed as UK companies it is estimated that their tax bills could rise by 6 per cent to 10 per cent.

There would also be a one-off tax bill associated with the change from partnership to company taxation. "There could be an enormous tax penalty," said one partner involved. While the Revenue's letter is in response to a plan put forward by Price Waterhouse to register in Jersey, it will be widely seen as a signal to the whole professional sector.

"The letter implies that if we were to form a Jersey limited liability partnership today and transferred our business into it, that would be a disposal for capital gains purposes," said one partner at one of the six biggest accountancy firms. The government has already responded to the threat that two "Big Six" firms – Price Waterhouse and Ernst & Young – might go offshore by promising to bring forward similar protective legislation.

Minister persists in integration warnings

By David Buchan in Paris

Mr Malcolm Rifkind, the UK foreign secretary, yesterday took to Paris his crusade against "excessive integration" within the European Union. He expressed his surprise that France had recently taken positions that would undermine national governments' role in foreign policy, justice and home affairs.

Mr Rifkind said his concerns about "the EU's democratic legitimacy and excessive integration" had struck a "resonant" chord in Sweden and had a "less encouraging response" in Germany. He was surprised that on many issues "Britain and France are today on different sides of the debate".

Speaking to the French Institute of International Relations, Mr Rifkind claimed that Paris and London shared "the same impulse – to reconcile the future of the EU with the preservation of the nation state". France's recent switch to proposing that asylum and immigration policies should be decided by majority verdict in Brussels, rather than by national governments, has disturbed the UK government. Mr Rifkind quoted with approval the French interior minister as stressing that "control of immigration is a nation-state prerogative".

● Mr Tony Blair, leader of the opposition Labour party, will today conclude a series of meetings with chairmen or chief executives of almost all companies listed on the FTSE 100 index, our Chief Political Correspondent writes. He will point to the governing Conservatives' disarray on Europe as a prime motive behind Labour's improved relations with business. The Labour leader will tell his audience that the City of London is growing increasingly alarmed at the prospect of a future Conservative government seeking withdrawal from the EU.

Labour will today introduce to the House of Commons Mr Ben Chapman, victor in last week's parliamentary by-election in north-west England. His arrival will leave the government in a minority, although Labour has dropped attempts to force the national election before May 1, when it is widely expected.

Philip Stephens, page 14

Tractor maker fears Euro currency opt-out

By Peter Marsh in London

If the UK failed to join a single European currency, future investment would be at risk at the New Holland tractor plant in south-east England.

The company, 69 per cent owned by the Italian group Fiat, is the world's second biggest manufacturer of tractors. Mr Umberto Quadrino, New Holland chief executive, said yesterday he was "seriously worried" by the prospect of sterling not being part of European economic and monetary union.

A decision by Britain to opt out of the single currency might make New Holland reconsider future investment in its plant at Basildon, 40km east of London, which makes about 40 per cent of the company's tractor output. The factory, with has a workforce of 1,600, is one of the world's biggest tractor plants.

The effect of the pound's strength over the past year had caused revenues from New Holland's Basildon operations to be $30m less than they would have been, Mr Quadrino said.

● New Holland expects 1997 sales to continue at last year's levels, Mr Quadrino said yesterday in announcing net income for 1996 up 25 per cent. The company expects its 1997 production of tractors, including those made in joint ventures, to be 4 per cent to 6 per cent higher than the 115,000 it made in 1996. Net income for 1996 came to $323.9m, up on $258.5m in 1995. Sales rose 10 per cent to $5.547bn.

India plant, page 6

Undertaking in court persuades leading City watchdog to end legal action

Ex-trader vows to return funds

By Clay Harris in London

Mr David Rycott, a former London futures trader, has agreed to return all money invested by UK customers of his new Spain-based currency scheme. He has also promised not to engage in any investment business in the UK.

After Mr Rycott and his Spanish company, Anglo Scandinavian, gave the undertakings in the High Court in London yesterday, the Securities and Investments Board agreed to discontinue its legal proceedings against them.

The case marks the latest effort by financial regulators in the UK and other European countries to crack down on high-risk currency trading schemes operating across borders.

Some 80 UK customers of Anglo Scandinavian stand to receive back e total of £380,125 ($619,600) according to the court order. The figure includes reimbursement of net losses of £45,635. The largest single investor had put in £23,000.

The permanent undertaking given by Mr Rycott not to engage in any new investment business in the UK is without precedent in its scope.

It could raise questions ebout the operation of the European Union's Investment Services Directive. Under the ISD, a company authorised by one country can be issued a "passport" to operate throughout the EU, although national regulators may challenge this authority if local laws are broken. Anglo Scandinavian is not regulated by Spanish anthorities, but the Copenhagen-based Scandinavian Forex and Futures Group, another currency trading company ownad by Mr Rycott, has applied for authorisation by the Danish financial regulator.

SIB successfully applied in 1988 to have DPR Futures, Mr Rycott's previous options and futures trading company, compulsorily wound np on public interest grounds.

A lawyer for SIB told the High Court then that DPR was "a menace to the investing pnblic" and had engaged in "churning" – the practice of frequent trading in order to maximise commissions.

In the latest case, SIB had sought to prevent Mr Rycott and Anglo Scandinavian from condncting unauthorised investment business in the UK or making misleading statements under the Financial Services Act.

Although they gave these undertakings, neither Mr Rycott nor his company admitted any of SIB's allegations, and the regulator did not try to recover its costs from them.

Mr Rycott said yesterday: "The whole thing could have been evoided if they had written to me as soon as they thought there was something wrong."

SIB is continuing its proceedings against three other defendants. Mr Anthony Lemon signed letters sent to prospective British investors and engaged in telephone conversations with several of them. Anglo Scandinavian's mail shots offered entry to a "free draw" to win £5,000.

Mr Christopher Tomaszewski, an eccountant, and Alexanders, his firm based in Redhill in sonthern England, undertook at a hearing last month to withdraw their endorsement of Anglo Scandinavian's sales material undar the Financial Services Act.

London Underground: what is it really worth?

The Tube has assets of $21bn, but it will be judged on its profit potential

What is tha London Undergronnd worth to a private sector buyer? The sale, if it goes ahead, will inevitably lead to accusations that valuable assets are being sold off too cheaply.

The sell-off of British Rail, the former national state network, provides some very recent examples of businesses which were sold for well below their nominal asset value but then soared in price. Railtrack – created out of BR to control infrastructure such as track – had nominal assets of £6.5bn ($10.5bn). It was floated at e valuation of just under £2bn; now it is valned at about £3.3bn.

For internal purposes only London Underground values its physical assets at around £20bn. But because tunnels can theoretically last for 400 years – beyond the financial planning horizon – their notional value of £5.32bn is exclnded from the calculation, as is £1.68bn of other very long-term assets.

This leaves the £13bn figure which came into circulation when the government'e privatisation plans began to take shape. But this sum, representing the cost of the assets, falls to £7.2bn in the Underground's accounts after adjustments to take account of deterioration.

But the network – known by Londoners as the Tube – will not be valued by prospective buyers on the basis of e clutch of assets, most of which have no other use than in the running of an underground railway. "The Underground will be judged by its profit potential; its ability to generate cash," comments one analyst.

By this measure, the Underground is a less attractive proposition, although it has echieved steady increases in its gross operating margin over the past five years. In 1995-96 the operating margin rose to £192m from £104m the year before.

But, after depreciation and spending on the renewal of fixed assets, the railway made an operating loss of £212m last year, down from a loss of £308m tha year before. The Underground remains dependent on considerable government grants, amounting to nearly £900m this year but falling to only £150m in 1999-2000.

But successful bidders will benefit from the £1.2bn estimated minimum proceeds of the sale which the government says it will plough back into the company to clear an investment backlog.

Current big projects include the extension of the Jubilee Line, which will make it easier to get from the City to the Docklands. The backlog, officially put et £1.2bn, is privately estimated by Underground managers et nearer £2bn.

The valnation of the Underground will also depend on two other important considerations: the method of privatisation and the extent of competition to run the business.

A ontright sale of the entire network by means of a public offering is one of the three options being considered, though it would not generate the benefits of competition and diversity of ownership achieved by the BR sale.

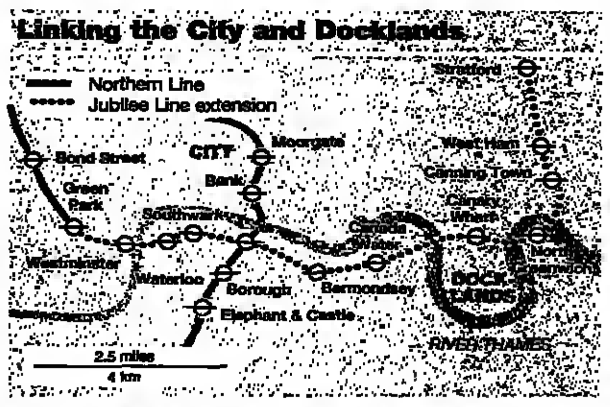
A sell-off or franchising line-by-line or by groups of lines – with the new owner controlling both rolling stock and infrastructure – is e second option. Bnt this might prove unattractive to the bus companies and groups such as Sea Containers, Virgin and CGEA, which bought BR's operations without the infrastructure.

The third option, to create a "Tubetrack", owning all the infrastructure and selling or franchising train services on individual lines, might raise the maximum cash for the Treasury because it is a formula tested in the BR sale. But any franchise sale, if the BR model is followed, would require continuing subsidies.

The final factor in determing the value to be put on the Underground is the extent of competition between bidders. After e slow start, when BR franchises were sold on what now appear quite generous terms, the euction led to some very ettractive deals for the franchising director. All franchises involve declining levels of subsidy over time and in many cases a later switch to premium payments by train operators.

Privatisation of the bus industry and British Rail has created integrated transport groups with an appetite for expansion. They can be expected to bid up the price for e system.

Charles Batchelor



Lawyer jailed in gold mine conspiracy

By John Mason, Law Courts Correspondent

A London lawyer was jailed for two years yesterday after being convicted of conspiring to pervert the course of justice in return for sbares worth Can$14m (US$10.2m) in an African gold mining venture. Mr Martin Boston, the senior partner with law firm Boston and Co, offered to destroy evidence and lie in court to ensure tha failure of a client's attempt to sue the mining company's founder.

His brother, Mr Warren Boston, a stockbroker, was jailed for 12 months after also being convicted by a jury of conspiring to pervert the course of justice.

Iamgold was set up in the early 1990s by Dr Mark Nathanson, a Canadian businessman, to mine gold in Mali. It prospered and attracted investment from Anglo-American, the South African mining giant.

Mr Martin Boston had been involved in a previous mining venture in Mali started by Dr Nathanson, acting as lawyer to the syndicate providing the backing and to one of its members, Mr George Hervey-Bathurst.

After the first venture failed, Mr Hervey-Bathnrst was given shares in Iamgold, but after the company prospered, be began legal action against Dr Nathanson, claiming be was owed more. Mr Martin Boston also believed he was entitled to e share in Iamgold and, in conversations bugged by Dr Nathanson, claimed be had documents which would enable Mr Hervey-Bathurst to win his ection.

In return for shares Mr Boston said he was prepared to destroy ths documents and tell e court they had been lost. His brother was also present at the meetings.

The brothers claimed their actions were a bluff and they never possessed the documents they offered to destroy.

UK NEWS DIGEST

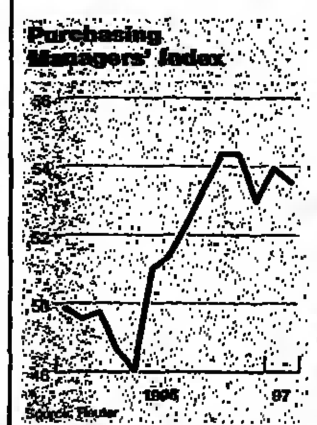
New CJD case puts total at 16

Another case of the strain of Creutzfeldt-Jakob disease linked to bovine spongiform encephalopathy or "mad cow disease" was confirmed yesterday by the government's health department. The victim is still alive and brings the total of definite and probable cases of "new variant CJD" in the UK to 16, of whom 13 have died.

The first 10 cases of emerged in March last year. The government acknowledged then that they were probably caused by eating meat infected with BSE in the 1980s. Since then, scientific evidence for the causal link between BSE and this type of CJD has grown stronger but it is not yet proven. The new variant has affected mainly young adults – for reasons that scientists do not understand – whereas conventional "sporadic" CJD tends to strike older people. All forms of CJD are fatal; patients with the new variant die more slowly. *Clive Cookson*

■ THE ECONOMY

Manufacturing recovery steady



UK manufacturing industry remained on course for a steady recovery in February, restrained by a strong pound and a squeeze on prices, according to data released yesterday. The composite purchasing managers' index, compiled by the Chartered Institute of Purchasing and Supply, fell from 53.9 in January to 53.5 in February, a level considered consistent with an expanding manufacturing sector. The purchasing managers' survey showed that output in February hit the highest level since November 1994, with an index of 57.7 after 55.8 in January. The CIPS said that "orders from UK customers were reported to have remained buoyant, but export orders grew only modestly". *Wolfgang Münchau*

■ TRADE UNIONS

German body in reciprocal deal

The UK's GMB trade union yesterday signed an agreement with IG Chemie, one of Germany's biggest unions, which offers members reciprocal membership rights in both countries.

The unions have e combined membership of 1.8m, but estimate that only about 120 members are working in each other's countries. Both unions claimed the pact was significant, even though it would not entitle members to local pay rates. The unions will initially concentrate on harmonising hours and working conditions. Mr John Edmonds, general secretary of the GMB, said: "This is a natural extension of the Europeanisation of the British jobs market." Mr Hubertus Schmoldt, president of the German union, said the co-operation was ths first of its kind in Europe. He added: "Our goal will be the creation of a joint membership at European level to achieve minimum standards on bargaining agreements for all workers." *Andrew Bolger*

French state aid lawful

EUROPEAN COURT

The European Court of First Instance ruled last week that a tax concession granted to the French Post Office was valid although it constituted state aid.

The Court said the concession was necessary to enable the institution to carry out its public service obligations. It could therefore be cleared under the Treaty of Rome provisions relating to public undertakings.

The action was brought before the Court by a number of associations representing insurance companies carrying out business in France.

They sought to annul a European Commission decision, which had rejected their complaint, declaring that a tax concession granted by the French government to the French Post Office did not constitute state aid.

The concession comprised a reduction of the bases of assessment to local taxes by 85 per cent. It was justified in the French legislation as being due to the constraints imposed on the Post Office of serving all the national territory and of participating in regional development.

The Court dealt with two issues of substantive law; whether the Commission had committed an error of assessment in using an inappropriate method for assessing the costs of the Post Office's public service obligations and whether there had been a breach of the treaty provisions relating to public undertakings and state aid.

The Court recalled that the Commission had estimated the tax concession to be less than the additional costs arising from the constraints of serving the entire national territory.

It also recalled that the applicants did not challenge the fact that these additional costs were indeed generated by the Post Office's public service obligations. Their case was that the Commission had manifestly overestimated those additional costs by using the wrong method of calculation.

The Court found that in this area of supervision, the Commission had a certain amount of discretion. Since the matter involved the assessment of complex economic data, that discretion was all the wider.

It said the Commission had carried out a complex economic analysis on the basis of two studies carried out by the Post Office and outside consultants and nothing put forward by the applicants proved a manifest error of assessment.

The Court said the concession did constitute state aid, contrary to what had been decided by the Commission, because it placed the Post Office in a more favourable financial position than other taxpayers including those companies represented by the applicants.

However, under the treaty provisions relating to public undertakings, the rules on state aid only applied insofar as they did not obstruct the performance of the particular tasks assigned to those public undertakings.

In order to determine the validity of the aid in the light of these derogating provisions, the Court considered that the case law on the application of the European competition rules applicable to private undertakings could be applied, with the necessary adjustments, to the state aid sector.

On that basis, it said state aid could escape the specific prohibition in the treaty provided the sole purpose of the aid was to offset the additional costs incurred in performing the tasks assigned to the public undertaking and that the aid was necessary for the carrying out of its public service obligations.

The Commission had therefore been entitled to take the view that the aid was not greater than was necessary to carry out those obligations.

Despite the fact the Commission had been wrong not to classify the concession as a state aid, the Court said the contested decision should not be annulled.

T-106/95: Fédération Française des Sociétés d'Assurances v Commission, CFI 3CH, February 27 1997.

BRICK COURT CHAMBERS, BRUSSELS

Behind the shutters

Kees Jan Kuilwijk on Kodak's attempts to trade in Japan

Eastman Kodak, the US photographic equipment group, experiences great difficulty selling its consumer photographic film and paper in Japan.

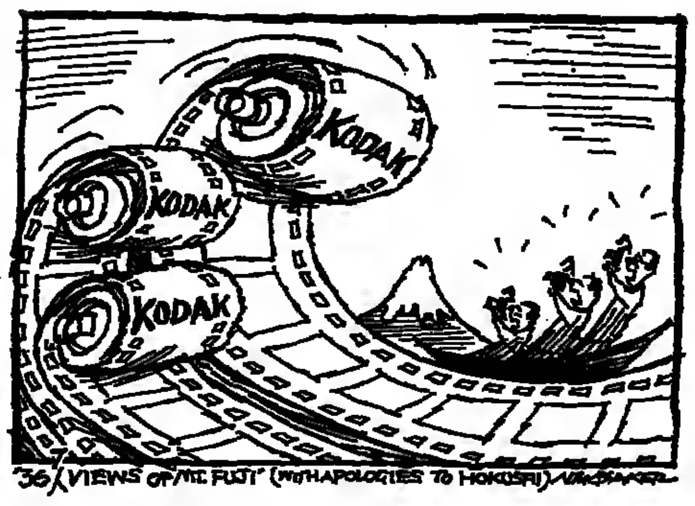
In the company's view the difficulties are caused both by Japanese laws and regulations which operate in a discriminatory fashion and by anti-competitive practices of Fuji, its main rival, aimed at preventing Kodak from penetrating the Japanese market.

After years of trying to obtain substantial market access, Kodak decided in 1995 to petition the US government for relief under section 301 of the US Trade Act of 1974. Having investigated, the US government chose to request formal consultations with Japan under the auspices of the World Trade Organisation (WTO).

The consultations, which started in June 1996, involved three distinct issues. First, they addressed the compatibility of Japanese law with the rules on trade in goods laid down in the General Agreement on Tariffs and Trade (Gatt).

Second, they concerned the compatibility of Japanese law with the rules on trade in services laid down in the General Agreement on Trade in Services (Gats). And third, they concerned alleged anti-competitive practices of Fuji.

In September, the US decided formally to split the three issues. It requested the establishment of a WTO panel to examine the complaint concerning the alleged violation of Gatt rules, and chose to continue consultations separately on the alleged Gats infringements and on the issue of restrictive business practices.



The Gatt complaint, filed with the WTO on February 20, focuses on a law which limits the number and size of large retail stores. Since they often tend to carry more imported products than specialised retail outlets, governmental restrictions on their number and size affect the ability of foreign companies such as Kodak to market their goods.

The WTO panel will have to rule whether this Japanese law violates article III of the Gatt, which provides that laws and regulations affecting the internal sale of products may not be applied so as to afford protection to domestic industry.

There are numerous statements by Japanese governmental agencies such as the Ministry of International Trade and Industry (Miti) which show that the law's objective was indeed to help to offset the "negative" effects of the trade liberalisation which had to take place as part of Japan's commitments undertaken in the Kennedy and Tokyo Rounds of trade negotiations.

The complaint suffers, however, from the remoteness of the discrimination. It is well-known that foreign businesses are not the only victims of this law – Konica, the Japanese number two, is also thwarted in its attempts to obtain a larger market share. There might very well be a plausible, objective justification for the retail shop law.

The Gats complaint, which may be examined by a second panel, focuses on an alleged infringement of article XVI. This stipulates that countries may not impose on foreign services and foreign service suppliers treatment less favourable than called for in their "Country Schedule".

It also provides that, unless otherwise specified in its "Schedule", countries must not impose restrictions on the number of service operations or the total quantity of service output on the basis of an "economic needs" test.

Since the retail store law does appear to be based on an "economic needs" test, and since the Japanese government has not "specified otherwise" in its Schedule, there indeed could be an infringement of article XVI.

Apart from the laws and regulations which seem to help Fuji consolidate its dominant position, Kodak maintains that its efforts to penetrate the market are frustrated by Fuji's practices.

Kodak claims that in the 1970s, when the comfortable tariff wall which Fuji had enjoyed slowly came down, the Japanese government allowed its "national champion" to set up a tight system of loyal primary and secondary wholesale firms, which would exclusively handle Fuji products.

In the distribution of consumer products, such as consumer photographic film, specialised wholesalers are essential. Kodak asserts that the Japanese government, in particular through Miti and the Japan Fair Trade Commission (JFTC) has tolerated, and even encouraged, the anti-competitive activities of Fuji, which are in violation of Japan's Anti-Monopoly Law (AML).

The charge concerning Fuji's anti-competitive behaviour is tricky as restrictive business practices are not within the WTO's competence.

The 1960 "Decision on Arrangements for Consultations on Restrictive Business Practices", merely encourages countries to conduct consultations in order to eliminate the harmful effects of such practices.

It is crucial, however, for the proper functioning of the multilateral trading system that governments enforce their competition laws equally against foreign and national companies.

It is therefore reassuring to see that the European Commission's initiative to address the issue of elaborating an international framework for competition rules in the context of the WTO at the recent WTO ministerial meeting in Singapore has resulted in agreement on the establishment of a working group to study the interaction between trade and competition policy.

Clearly, trade policy cannot be divorced from competition policy. Liberalisation in the form of lowering tariffs and dismantling non-tariff trade barriers can easily be frustrated by allowing national cartels to operate in a way which hampers the market access efforts of foreign businesses.

The Gatt complaint is formulated in a manner which does not leave room for an evaluation by the panel of Fuji's alleged anti-competitive practices and Japan's endorsement of those practices through selective enforcement of the AML.

The only way this would be possible is through a so-called "non-violation" complaint by the US – a charge that although no rules of WTO law have been violated, nonetheless, previous concessions made by Japan have been "nullified or impaired."

In its panel request the US does make a "non-violation" complaint in addition to its "violation" complaint. It only claims "nullification or impairment" of concessions as regards the application by the Japanese government of certain laws and regulations the combined effect of which is to hurt US interests. It makes no such claim as regards the preservation by the government of an anti-competitive situation on the Japanese market to the detriment of the US.

Although the issue of restrictive business practices therefore appears to be at a dead end, it could still be possible to submit it to a panel for adjudication.

The 1960 Decision, which provides for consultations but not dispute settlement, was taken when the contracting parties had a fundamentally different view of the way in which their commitments ought to be supervised.

A clearly outdated decision ought not to stand in the way of adjudicating an issue of such importance. There is no reason why a panel should not view the non-enforcement of a country's own laws against a national company under certain circumstances as a nullification or impairment of previously made concessions.

The author is an associate with Lovell White Durrant, Brussels.

LEGAL BRIEFS

Clifford Chance in joint venture with Italian firm

The assault by the UK's law firms on the Italian legal market continues apace. After Freshfields's opening in Milan last month with 30 lawyers, Clifford Chance has announced that its joint venture with Italian law firm Grimaldi e Associati is to be strengthened with the opening of a third Italian office in Padua. The Padua office, which is being established to capitalise on the rapidly growing industrial area of Italy's north east, will be staffed initially by five lawyers. There will be two partners – Paolo Rulli, a corporate lawyer in Grimaldi & Clifford Chance's Rome office and Andrea Rizzieri, a Paduan. Since opening its first office in Rome in 1993, Grimaldi & Clifford Chance has established itself as one of Italy's leading commercial law firms. Recently the firm has advised on the privatisation of AEM, the Milan gas and electricity utility, and Autostrade, the Italian motorway operator.

Kiev milestone

Baker & McKenzie, the world's largest law firm, has hired its 2,000th attorney. The milestone was reached in the firm's Kiev office with the recruitment of Ms Mariana Marchuk. Ms Marchuk will practise in the areas of international trade, arbitration, energy and privatisation.

London link-up

London law firms Baileys Shaw & Gillett and Speechly Bircham are to merge on May 1, creating a firm of 42 partners and 68 other fee earners with an annual turnover of about £15m.

هیکخانمن باصول


FT
FINANCIAL TIMES
BERGKAM
10
Financial Times.
World Business Newspaper.
9
Weekend FT.
Even more figures.
The new look Weekend FT. From Saturday, March 8.

Refined images

William Packer on two very different painters

By a nice chance, exhibitions of recent work by two painters, Michael Craig-Martin and Derrick Greaves, now overlap, if only by a week or so. For both are painters who have refined their work to the essentials of line set upon tone or colour, unmoderated by texture or apparent gesture. Everything is under control, the image reduced to the effective simplicity of the ideogram and elegantly disposed within the canvas. Whatever the literal nature of the representation, these are in some degree careful exercises in abstraction.

The comparison may be tempting and instructive, but it also deceptive, for these are artists of quite different instincts, practice and principle: Craig-Martin, the more obviously figurative, is the more calculating and remote; Greaves, the more abstracted, the more intuitive and various.

At 55, Michael Craig-Martin has long been something of a power in the land, a panjandrum of the British avant-garde whose word as teacher and institutional consultant these past 20 years has carried enormous, effective weight. He it is who has been the principal re-interpreter for his generation of the Duchampian heresy, that in Art it is the idea that counts above all else. And over his many years of involvement with the Goldsmiths' College, he has passed the torch on to the young. *Si monumentem requiris*, you need look no further than the recent history of the Turner Prize.

The actual work of an artist of such influence and principle thus takes on an added interest. And here it is, these large canvases painted all over in a single colour of a saturated intensity, in which miscellaneous objects float about in a cosmic space – a chair, a table, a torch, a fire-extinguisher, a pair of handcuffs. These too are painted in colours straight out of the "Smartie" tube, in combinations quite as arbitrary and no less seductive – lime-green on puce; mauve on scarlet.

It must mean something. The scale alone is impressive, and colour so intense is surely significant. And there is the quality of the drawing, too, to worry about, each object described in simple outline of uniform thickness and emphasis, reminiscent of early Caulfield but without the wit. These objects are drawn in conventional if not always reliable perspective, their relative scale inconsistent with any coherent, indeed conceivable pictorial space. The same objects reappear, sometimes reversed, the same chair, bucket, pair of steps, plucked, we are told, from the stock of such images held in the Craig-Martin computer. Such command of technology says a lot, so up-to-date, so time-saving, so convenient. No need to muck about with pencil and paper. No need to draw.

What, then, about the story, the content, the idea? A large green bottle, a scatter of spilt pills and an empty chair? A fan, an open safety-pin and an empty chair? An empty drawer, a pair of shoes and, yes, an empty chair? The truth is that any such portentous juxtaposition is the oldest surrealist trick in the game, and means nothing. These paintings, says Adrian Searle innocently in the catalogue, "are not to be trusted." Indeed, for they flatter only to deceive.

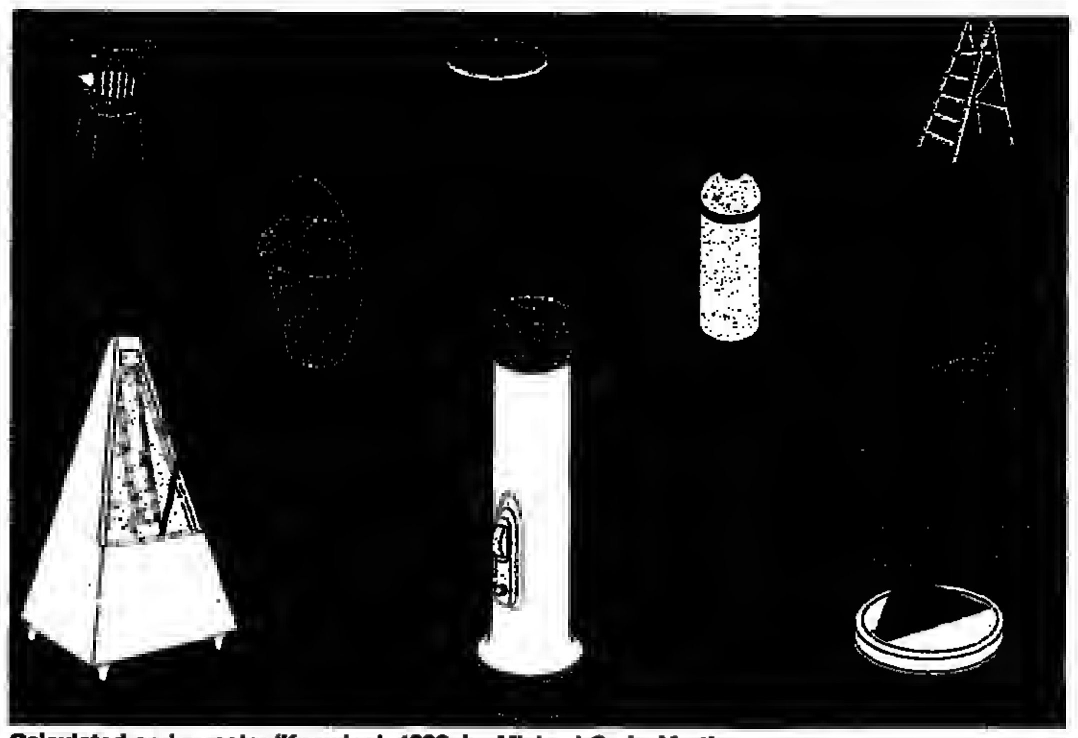
Derrick Greaves is 70, and he too has been an influential teacher, and had his moment in the sun. But it was in 1956 that he was in the British Pavilion at the Venice Biennale, and 23 years ago he had his Whitechapel Retrospective, his last major show in London. But he has never stopped working, and that work, founded directly upon natural observation through the medium of drawing, has reached over the years a pitch of refined simplicity that few artists can match.

The line he now deploys may be uniform in its thickness, but never mechanically so. It is always judged to a nicety, particular to the work, and full of life. The themes may be consistent – the flowers, the human figure from which may be abstracted more particular images – but there is no question of the mere reshuffling of an existing stock. There is no going through the motions of invention, but only the actual invention of each new piece.

His work lately has moved closer to a pure abstraction in the constructivist tradition, using interrupted planes to establish a quasi-architectural space, but there remains a residual figuration, in the ghost of a flower or still life, formal and schematic, or an abstracted, symbolic reference not so much to the female figure, nor to the female parts, but to the female principle – a curiously disinterested sensuality.

The upper room of the gallery is given to the distinguished ceramist, Gordon Baldwin, whose remarkable work deserves rather more than the mere mention I can give it now. All I will say is that it is possessed of a sculptural presence and integrity that defies any narrow definition as mere craft. There is no more impressive a show of modern sculpture anywhere now in London.

Michael Craig-Martin – *Innocence and Experience*: Waddington Galleries, 11 Cork Street W1, until March 8; with prints and *Book* at Alan Cristea Gallery, 31 Cork Street, until March 15. Derrick Greaves at 70: also Gordon Baldwin – ceramics: Hart Gallery, 113 Upper Street, Islington N1, until March 27.



Calculated and remote: 'Knowing', 1996, by Michael Craig-Martin

Concert

Sixties' protest music

Ten years ago there were people in Birmingham looking ahead to the year 2000, long before the lottery or the Millennium Commission ever came into existence. They came up with *Towards the Millennium*: a decade by decade festival of the arts in the 20th century.

So far it has proved an informative angle to take, which nobody else has sought to emulate. This year it reaches the 1960s and Simon Rattle was back at the Royal Festival Hall on Friday, together with his City of Birmingham Symphony Orchestra, to open the series of concerts devoted to that decade. In music, as elsewhere, the 1960s were a time of accelerating change.

The main work – a protest banner from the sixties, if ever there was one – was Henze's *The Raft of the Medusa*. Composed in 1968, this hour-long "people's oratorio" did not just seek to engage controversy; it sparked a demonstration of its own. At its first performance in Hamburg, a group of students raised a red flag on the platform, the police intervened and the concert was abandoned.

This was the decade in which music became a political art. Perhaps Woodstock and the power of popular music had something to do with it. Or maybe composers felt a need to take a social stance because of their dependence on the state (it is ironic that rebellion came when they were in receipt of more state funding than at any time before or since). Either way, Henze had a message and it was Socialist with a capital "S".

How well does *The Raft of the Medusa* stand up now? Its humanitarian theme is for all time, not just of contemporary interest, so a performance should still have the power to move. Despite the large instrumental forces, the triple choirs (BBC Singers and City of Birmingham Chorus and Youth Chorus) and a seemingly broad canvas, it is a surprisingly concentrated work. Henze tells the tragic story of the common man shipwrecked and left to die with narrative urgency.

The listener comes away gripped by the story, much more so than by the music, which is thin on the ground, atmospheric but not much more. Perhaps Henze, who was present in the audience, would be satisfied with that, if it meant his message had got across. Certainly, there was no reason to fault with Rattle, the baritone David Wilson-Johnson or speaker Franz Mazura. I would have liked sharper playing from the CBSO in Stravinsky's *Requiem Canticles*, which came before, but the taxing Henze was an admirabla corporate effort.

Richard Fairman

Further CBSO *Towards the Millennium* concerts on March 9 and 12.

Theatre

Dark look at mankind

When Mark Ravenhill's *Shopping and Fucking* opened at the Royal Court last year I was uncertain about its staying power, but have to confess that the atmosphere of the play has lingered with me ever since. So too have the characters, with their shockingly empty values and brittle vulnerability who were living according to the rules of a generation accustomed to junk food; junk clothes and junk values, but who were confused by their own gentler impulses.

Revenhill's latest play is a darker, more ambitious and more cerebral venture into that dizzyingly vacuous world. This time he has teamed up with ATC director Nick Philippou to come up with a *Faust* for the end of the millennium: a look into the darkest possibilities for mankind severed from any urge towards moral or spiritual progress. The play is not a modern version of *Faust*, but a rough recasting of the shape of the story into a 20th-century milieu. So we have a philosopher figure – based on a combination of Foucault and Baudrillard – who decides to think less and live a little more. He finds himself in the company of a young man who shares his enthusiasm for stomach-turning moral riddles and who seems eager to consume his theories.

The two embark on a journey together, but this being the 20th century, they only have to travel down the west coast of America to enjoy all the depravity they desire. They get stoned and have rough, empty sex together in Death Valley, they surf the Internet and get involved with a suicidal geek who advertises himself on the self-mutilation website. The play offers a nightmare distillation of a post-modern world where "reality" can be turned virtual by the computer terminal, where man can be marooned in a bubble of images that seem more real than the world outside his door, where society seems de-humanised to the point of insanity.

A nightmare distillation of a post-modern world: Alain Pelletier in Mark Ravenhill's 'Faust'

It is an exceptionally dark version of the Faust story, because the terms of the journey are set by the philosopher's agenda. Where other *Fausts* might explore the danger of progressive thought and the audacious impulse to challenge God, this one is altogether bleaker. Beginning with a God-less interpretation of the world, it has no need for any pact with the devil – it is often hard to tell which character represents the Faust figure and which Mephistopheles. The characters' spiritnal isolation is their hell, but worse still, Ravenhill not only posits a world where there is no God, but one where, "man is dead; progress is dead".

As a piece of theatre it starts slowly, hut gradually ensnares you. Stodgy and unwieldy in places, it has a ghastly fascination and Philippou's production is perfectly cast: Alain Pelletier's desecrated, detached philosopher complemented by Pete Baillie's jumpy, defensive student. And both play and production cannot resist the funny side of the world they portray. On a TV set at the back of the stage a chorus of American teenagers keep reminding us of the confusion of the coming generation. At one point a young citizen of Los Angeles, scolded by his mother for stealing a VCR during a riot, replies: " Mom, what is the point of food in the house when you have nothing to watch while you are eating it". As Ravenhill suggests, this is a world where even Mephistopheles would find the competition tough.

Sarah Hemming

Continues at the Lyric Studio, London W6 to March 15 (0181 741 2311), then on tour.

Theatre in Dublin

Family troubles

The prohlems of Northern Ireland are not just concerned with politics and religion. The province is one of the more traditional, conservative communities in western Europe in which family and tribe are at the centre of life. Violence is often more about settling old family feuds than republican dreams of a united Ireland or loyalist insistence on preserving the status quo.

In A Little World of Our Own centres on three brothers living in the staunchly loyalist area of North Belfast. Ray is the hard man who delights in punishment beatings and is determined to hold the line against the dreaded "Taigs" or Catholics. "Namby pamby ways don't get results" says Ray.

Gordon is struggling to reconcile the bigotry and violence around him with his fiancée's insistence that he puts his trust in God. Richard, the other brother, is mentally disabled, deeply loyal to Ray on whom he looks for protection and guidance. The mother is a powerful hut unseen presence, upstairs.

The hapless Richard is in love with a girl who has been seen going out with a Catholic. Ray decides to take matters into his own hands: Family honour is at stake. The results are disastrous.

Gary Mitchell is ooe of a growing band of Northern Ireland playwrights responsible for injecting new spirit into Irish theatre. Like Damian Gorman *(Loved Ones)* and the late Stewart Parker *(Pentecost)*, Mitchell does not spare his audience any of the horrors of life in these claustrophobic communities in Northern Ireland.

It is a sad, hrutal world in which everyone watches each other, every action is questioned, every word carefully weighed. The sparse living room set emphasises this insulated society.

Ray is a freelance operator who spurns the local loyalist paramilitaries. Walter is the mysterious, black jacketed "fixer" who negotiates between the family and the unseen Monroe, the military godfather. "Things are getting out of hand" Walter keeps repeating like a Beckett refrain. Justice has little meaning: what matters is showing the community round you that family honour will be preserved. "In situations like this it's not a case of what should be done – it's what people feel should be done" says Walter.

The tension is maintained throughout the short play. Stuart Graham, as Ray, is a convincing hard man, showing no remorse for his actions. The mysterious Walter is quietly underplayed hy Lalor Roddy. Marc O'Shea gives a masterful performance as Richard – a boy who can do cunning card tricks yet is innocently unaware of the impact of the terrifying events around him.

This is not relaxing theatre. At times the dialogue seems rather repetitive. The violence is trowelled on with no let up. Yet this is a glimpse into a world outsiders rarely see. At a time when politicians are trumpeting the importance of the family and its values this is a reminder that when the home turns in on itself, things can go terribly wrong.

Kieran Cooke

At The Peacock, Dnhlin until March 15.

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

EXHIBITION
Rijksmuseum Tel: 31-20-6732121
● Duits Steengoed: exhibition presenting 16th and 17th century German earthenware from the museum's collection. Most of the objects were produced in the Aachen-Cologne area; to Mar 9

■ BREMEN

EXHIBITION
Kunsthalle Bremen Tel: 49-421-329080
● Paula Modersohn-Becker in Bremen: exhibition featuring some 100 paintings by the German artist Paula Modersohn-Becker (1876-1907) drawn from the collections of the Kunsthalle Bremen, the Paula-Modersohn-Becker-Stiftung and the Kunstsammlungen Böttcherstrasse; to Apr 6

■ COPENHAGEN

Det Danske Kunstindustrimuseet – The Danish Museum of Decorative Art Tel: 45-33149452
● Celebrating American Craft – American decorative art 1975-1995: the first major exhibition of American craft held in Denmark, featuring ceramics, fibre-glass, metal, textiles and wood. The display has been loaned from the American Craft Museum and includes works by 100 artists; from Mar 7 to May 4

■ EDINBURGH

EXHIBITION
Scottish National Gallery of Modern Art Tel: 44-131-5568921
● James McIntosh Patrick: exhibition marking the artist's 90th birthday and featuring around 10 oil paintings, watercolours and prints. McIntosh Patrick's work concentrates on minutely-detailed panoramic landscapes; to Apr 20

■ FRANKFURT

ART & ANTIQUE FAIR
Alte Oper Tel: 49-69-1340400
● Antique Week: antique fair which includes a collection of jewellery shell cameos by the jeweller Tommaso Saulini, dating from the early 1800s; from Mar 6 to Mar 9

■ HOUSTON

EXHIBITION
The Menil Collection Tel: 1-713-525-9400

the 25th anniversary of the commissioning of the Rothko Chapel, a unique assignment that allowed the abstract artist to explore potential interactivity between painting, architecture and natural light; to Mar 30

■ LONDON

CONCERT
Barbican Hall Tel: 44-171-6384141
● Trout Quintet: violinist Gidon Kremer, viola-player Veronika Hagen, cellist Clemens Hagen, double bass-player Alois Posch and pianist Oleg Maisenberg perform works by Harbison, Schnittke and Schubert; Mar 7

EXHIBITION
Mayor Gallery Tel: 44-171-7343558
● Patrick O'Reilly. The Porcelain Drum: exhibition of work by the Irish artist who produces work that reflects a lifelong interest in philosophy; to Mar 19

CONCERT
Royal Festival Hall Tel: 44-171-9604242
● BBC Symphony Orchestra: with conductor Andrew Davis, soprano Louise Winter, baritone Alan Opie, the BBC Symphony Chorus and the New London Children's Choir perform works by Stravinsky; Mar 7

EXHIBITION
Serpentine Gallery Tel: 44-171-4026075
● Richard Deacon: former Turner

commissioned for the Serpentine's lawn while the gallery is closed for renovation. The piece uses moulded polycarbonate to represent the Catalpa trees growing on the gallery's East side lawn; from Mar 6 to May 4

■ LOS ANGELES

EXHIBITION
Huntington Library, Art Collection and Botanical Gardens Tel: 1-818-405-2100
● Picturing America: Benson J. Lossing's Illustrated Histories: display of historical drawings by the American artist and historian who wrote and illustrated pictorial field books of the US Revolution, the Civil War and War of 1812. Alongside the drawings will be original manuscripts, letters and printed volumes; to May 11

■ MADRID

EXHIBITION
Museo Nacional Centro de Arte Reina Sofia Tel: 34-1-4675062
● SMS: Colección de Múltiples: display of work commissioned in the late 1960s by the New York surrealist William Copley, with the aim of producing art free of limitations on material; to Mar 10

■ MUNICH

OPERA
Cuvilliés-Theater – Altes Residenztheater Tel: 49-89-296836
● Shannon Rose: by Sibelius.

Staatsoper. Soloists include Judith Turos, Luca Masala and Kirill Menikov; Mar 7

■ NEW YORK

EXHIBITION
Brooklyn Museum Tel: 1-718-638-5000
● Mistress of tha House, Mistress of Heaven: Women in Ancient Egypt: exhibition examining the role of women in ancient Egypt in tha court, family and temple. About 200 objects will be on display, including 20 rarely seen pieces from the museum's permanent collection; to May 18

CONCERT
Carnegie Hall Tel: 1-212-247-7800
● Vienna Philharmonic Orchestra: with conductor Daniel Barenboim perform works by Beethoven; Mar 7

EXHIBITION
The Metropolitan Museum of Art Tel: 1-212-879-5500
● The Florene M. Schoenborn Bequest: 12 Artists of the School of Paris: a display of 21 major 20th century works given to the museum by Florene M. Schoenborn. The artists featured include Brancusi, Braque, de Chirico, Dubuffet, Matisse, Miró, Picasso and Rouault; to May 4

■ PARIS

EXHIBITION
Centre Georges Pompidou Tel:

Contemporaina Dans les Collections Nationales: exhibition featuring photographs by contemporary artists such as Christian Boltanski, Alain Fleischer, Annette Messager, Jun Shiraoka and Helmut Newton; to Mar 31

CONCERT
Salle Gaveau Tel: 33-1 49 53 05 07
● Talich Quartet: perform works by Mozart, Shostakovich and Beethoven; Mar 6

■ THESSALONIKI

EXHIBITION
Thessaloniki Cultural Capital '97 Tel: 30-31-867860-6
● Image and Icon: exhibition examining Greek photography over the past 20 years. More than 280 photographs are on display by over 40 photographers. The exhibition is being held at the Macedonian Museum of Contemporary Art; to Mar 16

■ VIENNA

OPERA
Wiener Staatsoper Tel: 43-1-514442960
● Fedora: by Giordano. Conducted by Luisi and performed by the Wiener Staatsoper. Soloists include Cura, Chaignaud and Harris; Mar 6

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WORLD SERVICE

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CNBC:

08.30
Squawk Box

10.00
European Money Wheel

16.00
Financial Times Business Tonight

Martin Wolf

To fund or not to fund

Although funded private pension schemes have attractions over pay-as-you-go state schemes, they may well not deliver adequate pensions

Are you a "baby-boomer", born, like me, shortly after the second world war? If so, are you wondering whether the generous pension you have been hoping for – or were even promised – will ever materialise?

The fear that pension promises will not be kept is pervasive. It has become a central theme in discussion of the bloated pay-as-you-go public pension schemes of continental Europe. These worries are not mistaken. As was argued in an earlier column (FT, January 28 1997), the extraordinarily generous pay-as-you-go public pension schemes of France, Germany and Italy look unsustainable in their present form.

Yet it would be wrong to conclude that adequate incomes in retirement will be provided in countries that rely heavily on private funded pensions, such as the UK. To appreciate the difficulties it is necessary to return to economic first principles.

However financed, a pension represents a claim on resources available at the time the pension is paid. This simple truth permits Mr Malcolm Crawford – a British economic journalist – to condemn those who attack pay-as-you-go pension schemes as promulgators of a big lie.*

"Whether funding makes any difference to the consequences of an ageing population depends," argues Mr Crawford, "on whether it generates a higher level of gross domestic product between the time when contributions are paid and the period when those contributors receive their pensions".

Up to a point, Mr Crawford. He is wrong, for example, to examine funded pensions only in the context of a closed economy. What matters, therefore, is gross *national* product, which allows for net income from foreign investment. The distinction between GDP and GNP is far from academic, largely because many of the highest yielding investments are likely to be abroad, particularly in developing countries.

How might the funding of pensions affect GNP? The obvious answer is that it would raise savings and so investment, both at home and abroad. But there is good reason to wonder whether pension funding would of itself increase national savings, unless people were compelled to save more than they would otherwise do. Generous incentives to pensions could even lower savings, since a target income can be achieved with lower outlays.

Certainly, there appears to be no clear evidence that funded pensions raise national savings. The savings rates of the US and UK, the members of the group of seven leading industrial countries with the highest dependence on private pension funds, are exceptionally low: 16.2 per cent of GDP in the US in 1994 and a mere 13.5 per cent in the UK, compared with much higher levels elsewhere (see table).

This doubt about the positive effect on savings taints all proposals to privatise existing pay-as-you-go pensions. Professor Martin Feldstein of Harvard University has, for example, proposed the replacement of US social security by a funded scheme. But his analysis of its benefits and feasibility** depends on his assumption that there will be "incremental real savings". Prof Feldstein assumes the return on the pay-as-you-go scheme is 1-2 per cent, while the return on the funded pension is 9 per cent. But the contrast depends on the assumption that the latter represents a net addition to the capital stock. If funded pensions merely substitute for other savings, the effects of the shift Prof Feldstein proposes would be much less favourable.

The chances that funding will not raise national savings significantly undermines the assumption that it would make pensions much easier to pay. Nevertheless, other economic effects of funding should not be forgotten.

The development of long-term pension funds will, for example, deepen the market for risk capital, with potentially beneficial effects on the economy.

The varying role of private pensions

	Coverage of private pension funds: Assets: % of GDP[1] Narrowly defined[2]	Broadly defined[3]	Workforce coverage %	Gross national savings % of GDP
US	51.0	66.0	46.0	16.2
Japan[4]	5.0	8.0	50.0	31.4
Germany[4]	3.0	4.0	42.0	[illegible]
France	2.0	5.0	—	19.0
Italy	6.0	—	6.0	18.6
UK	60.0	73.0	50.0	13.5
Canada	32.0	35.0	41.0	15.4

1. At the end of 1991 2. Funded pension schemes 3. Funded pension schemes and pension reserves of life insurers 4. In Japan and Germany large funded pension plans are held directly on the firms' balance sheets
Sources: Davis (1995) World Bank Working Paper No 1229; OECD

The impact on the labour market may be still more unambiguously helpful. If the pensions people receive are closely related to their contributions, they will regard those contributions as savings. If they are not – as under most pay-as-you-go systems – the contributions look like a tax. A shift to a funded system should, therefore, raise the incentive to work and increase GNP. This is among the most significant advantages of the Anglo-Saxon, as opposed to the continental, pensions model.

The beneficial effects of funding on the labour market apply, however, far more to defined-contribution schemes, in which pensions are related to individual contributions, than to standard occupational defined-benefit schemes. True, defined-benefit schemes can help sustain mutually beneficial long-term relationships between employers and employees. But they also impair voluntary job mobility and provide an incentive for imposed early retirement and redundancy.

Funded and pay-as-you-go public pensions are also subject to rather different risks. The latter are backed by the power to tax. This creates the political risk that politicians may find it convenient to renege on promises their predecessors found it convenient to make.

Yet private funded pensions also confront political risks: taxation may be changed or inflation promoted. More important, they are exposed to market risk – the most important of which is to equity prices. In particular, as funds sell assets to finance pensions in payment, they will drive down the prices of equities to some extent.

Thereupon, corporate sponsors of plans that promise a pension related to final pay would need to raise their contributions. This would cut their dividends, exacerbating the difficulties of other pension plans. As for owners of defined-contribution pension plans, they would find themselves poorer than they hoped.

A final problem with funded private pensions is that administrative costs are high. Partly as a result, they tend to exclude the least well-off segment of the population. For this reason, no high-income country has yet managed to provide a secure and adequate retirement income to all by relying on private funding alone. Either, as in the UK, there is a high degree of inequality among pensioners. Or, as in the US and continental Europe, there is heavy reliance on a public pay-as-you-go scheme.

Given the risks and costs associated with the different types of pension, the sensible approach is to offer a basic pay-as-you-go scheme, along with encouragement for private provision. Whatever one's government or employer may promise, it would be foolish to put all the retirement eggs in one basket. More important still, for most individuals – and for most countries – the ability to enjoy the pensions they hope for (or have been promised) demands consistently higher levels of individual – and national – saving than they have been prepared to make. Unfortunately for many older baby-boomers, this advice may already come too late.

**Malcolm Crawford, "The Big Pensions Lie," New Economy, Spring 1997 (London: Institute for Public Policy Research).*

***Martin Feldstein, Would Social Security Raise Economic Welfare? National Bureau of Economic Research Working Paper 5281; Feldstein and Andrew Samwick, The Transition Path in Privatizing Social Security, NBER Working Paper 5761.*

LETTERS TO THE EDITOR

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No Nato seat for Russia or Japan

From Dr Jonathan Eyal.

Sir, I assume that Professor Richard Layard sought relief from his worthy academic pursuits when he ventured into grand strategic thinking by suggesting (Letters, February 25) that the current dispute over Nato's expansion can be avoided if Russia and Japan are offered eventual membership of the Atlantic alliance.

Quite apart from the fact that the two will first need to solve their territorial dispute over the Kurile islands, Nato membership makes no sense for either Japan or Russia. Just about the only issue on which the two may conceivably agree would be to regard China as a potential danger, and the encirclement of China can never be Nato's mission.

Has Prof Layard paused to think how Ukraine will react to such shenanigans? An institution which groups all the leading states in the Euro-Asian land mass already exists: it is called the United Nations.

Contrary to Prof Layard's belief, Nato's enlargement is not designed to "create a wider alliance against Russia". Indeed, the inclusion of a few central European countries is actually in Russia's interests. Poland, the Czech Republic and Romania will never be Russia's allies. Left outside Nato, these countries will start forming their own regional alliances with Ukraine and, once this process is complete, neither Germany nor Russia will be able to resist involvement. The surest guarantee against an arms race in central Europe and a return to the disastrous game of balance of power is precisely through Nato's expansion.

The west, therefore, should have the courage to tell Moscow that, for the sake of future Russian generations and the security of an entire continent, Nato's enlargement will proceed. There is much that Russia and the west can do together, but indulging the dreams of some Moscow leaders about recreating a sphere of influence in the heart of the continent should not be one of them.

Jonathan Eyal,
director of studies,
Royal United Services Institute for Defence Studies,
Whitehall,
London SW1A 2ET, UK

Caribbean needs new deal

From Prof Bishnodat Persaud.

Sir, I must congratulate Joe Rogaly on his highly informed piece ("Another finger in the banana pie", March 1) on the threats facing access of Caribbean bananas to the EU. He is right to imply that this issue cannot be accepted simply as the inevitable consequence of moves to freer trade.

The Caribbean recognises the need to rely more on freer trade. The economies are being adjusted boldly from international and regional preferential systems, and significant achievements have been made in Trinidad and Tobago, Guyana, Barbados and some smaller islands.

However, when a fragile manufacturing sector built up by high levels of protection in these small islands is subject to increasing competition, erosion in export preferences in the EU and North America must not be unduly accelerated over areas such as bananas, sugar, rice, rum, textiles etc.

The Caribbean entered the Lomé Convention with UK encouragement. The UK understands the special difficulties that would be faced in a speedy removal of trade preferences. In the past, the UK sought to protect Caribbean interests in Europe. The Caribbean needs a revised arrangement with the EU when the Lomé Convention is renegotiated. It must work with Britain and other sympathetic EU members towards such an arrangement, in which a regional adjustment fund and encouragement for private investment in services and non-traditional industries must help reduce poverty and unemployment, which are unusually high for these middle-income countries.

Bishnodat Persaud,
University of the West Indies,
Kingston, Jamaica

Government is not a black art

From Mr Robert McDowell.

Sir, Philip Stephens is right, but for the wrong reasons, to say ("The apparition of opposition", February 25), that "it is absurd to argue that Labour is disqualified from office by its inexperience". Government is not a black art known only to experienced cabinet ministers, not so long as we have a free and inquiring press. It is the media's responsibility, along with that of the opposition parties, to ensure that government actions are transparent.

There are many who believe the Conservative party will benefit from the experience of a few terms on the other side of the House, by which measure Labour stands more than ready for the responsibilities of office.

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Philip Stephens

No escape from the past

From the economy to Emu, Mr Major's case deserves a hearing but, after 18 years in power, his fractious party has seen voters' trust shift to New Labour

You can taste the frustration in 10 Downing Street. From the world outside the prime minister's inner sanctum comes a constant flow of disharmony and dissent. Forecasts of a narrow election victory for New Labour give way to predictions that Tony Blair will sweep to power in a landslide.

Within, John Major seems almost alone in believing that, if he could only raise his voice above the din, he might yet win the election. Almost alone. Michael Heseltine's wager that the Tories will secure a majority of 60-plus has crossed the line between bravado and fantasy. But, for the deputy prime minister, winning is a state of mind. He cannot function if he admits any other possibility.

There is a curious chemistry between the two men. They seem relaxed in each other's company. On most things they agree. It was not always thus. Mr Major long mistrusted the author of his succession to Margaret Thatcher. But the crude jostling for personal advantage among others in the cabinet – the latest from Stephen Dorrell, the health secretary – appears to have drawn the two men closer. Win or lose, Mr Heseltine does not intend to figure on the lengthy charge sheet of the disloyal.

The frustration is easily explained. The same opinion surveys which show Mr Major's government lagging an unprecedented 15 to 20 points behind New Labour, testify to the growing strength of the economic feel-good factor.

Those who witnessed Nigel Lawson's economic miracle shatter into recession are not much impressed by the politicians' hyperbole. There have been too many broken promises for that. But most people are better off, inflation is subdued and the recovery does look sustainable. Mr Major might expect just the odd shred of credit.

Suddenly, Europe seems less threatening too. Economic and monetary union – the rack on which the Conservative party has been all but broken – is a less certain prospect. Mr Major, it is said, is sure Helmut Kohl will acknowledge by the autumn that the single currency must be delayed.

This scenario would see the chancellor keeping faith with the German people by upholding the economic convergence criteria. The delay might be two or three years. If only the German chancellor would say as much now. Wishful thinking on Mr Major's part perhaps, but it is no longer an absurd proposition. And how futile then would seem the Tories' self-destruction on the rocks of Eurosceptic ideology.

So Mr Major's thoughts dwell ever more urgently on how he might break through to the voters, on how to push the stories of Tory disarray from their reserved slots on every front page. Running ahead of his party in the opinion polls, his will be a highly personal campaign. There will be the traditional rallies, of course. But, in the spirit of the soap box, other set-piece speeches will be delivered from the market square.

He is thinking hard about a televised debate with Mr Blair. The prime minister carries uncomfortable baggage on this issue. When Neil Kinnock laid the challenge in 1992, it was dismissed as the transparent ploy of losers. But, for all his feigned insouciance, Mr Major cannot ignore the polls. And, if the format of the encounter was right, there would be advantage.

A debate choreographed by one or two distinguished broadcasters, and without a rowdy studio audience, would allow him to break out of the soundbite politics which, perhaps because he has never mastered the technique, he detests. He does not intend to take the initiative. And Paddy Ashdown, the Liberal Democrat leader, would have to be nudged to one side. But the prime minister is not saying "No".

Before that, he will set out his stall at the Conservatives' spring conference in 10 days time. By then it should be clear the election date cannot be other than May 1. The Bath gathering will thus provide the platform for a long campaign.

Word has it that those on the Tory right looking for an ever wider sea of clear blue water between the two parties will be disappointed. Perhaps it is Mr Heseltine's influence, perhaps it is a mood of the moment. The modulation has changed many times before. Yet Mr Major seems at last to have rejected the nonsense that says he would do best by retreating further from the centre ground. It is here the election will be decided.

On the economy, the message is that only the Conservatives have the instincts to capitalise on recent economic success – witness the universal antagonism within Mr Blair's party towards plans to privatise London's underground rail network. New Labour's conversion to the market may be a compliment. It is also skin deep.

The prime minister, though, is less hawkish about spending and tax than the cabinet's apostles of small government. Abolition of inheritance and capital gains tax are long-term ambitions. A 20p basic rate of income tax is just about as far as any government could go without hollowing out the foundations of the welfare state. Mr Major's intention is otherwise.

On Europe too, there is an apparent disjunction between the cruder, flag-waving rhetoric and Mr Major's private realism. He is no friend of a single currency. He would think hard before giving up sterling.

> Mr Major's thoughts dwell on how he might break through to the voters and push the stories of Tory disarray from their reserved slots

For all that, there is something in the back of his mind that tells him a Conservative government might, just might, have one day to put economic prosperity before ideology, to trade sterling for jobs. Nor has he budged from the view, publicly expressed last year, that those who contemplate divorce from Europe are living in a faraway land of clouds and cuckoos.

In all this, and in the critique of Labour's plans for constitutional upheaval, Mr Major presents a case that demands a hearing. If others in his party will not make it he, with Mr Heseltine's help, will do so regardless.

And yet, amid his frustration with the media and the malcontents on the Tory backbenches, my own view is that he knows in his heart it is probably too late to overcome the odds. The Conservatives have lost the most precious commodity in politics – the trust which persuades voters to give their politicians the benefit of the doubt.

That now lies with Mr Blair, acting as an invisible shield for New Labour against every Tory onslaught. It may be obvious to all that the opposition's arithmetic is at best inventive, its plans for the constitution half-formed. Such flaws count for little against the benefit of the doubt.

In part, Mr Major is simply paying the price of the Tories' 18 years in power. Alongside, there is the poisonous legacy of Mrs Thatcher's dethronement, and its fatal entanglement with the politics of Europe. The indiscipline, factionalism and opportunism of cabinet and backbench colleagues alike is ever compounded by the re-emergence of enemies from the darker recesses of the Thatcher decade.

That, Mr Major would say, is the past; the election is about the future. But politicians can escape neither their parties nor their past.

COMMENT & ANALYSIS

FINANCIAL TIMES

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Tuesday March 4 1997

Bank tremors in Thailand

It is no coincidence that the two Asian countries with serious banking problems are Thailand and South Korea. Both suffered a marked economic slowdown as exports weakened last year. Their banking troubles show how dependent Asia's financial institutions are on high economic growth feeding through into asset price inflation.

It has been clear for a while that a rescue operation will be needed for Korea's banks. Now Thailand has arranged a bail-out of the Finance One finance company and launched a package of prudential measures. Its authorities, too, are finally being forced to recognise the severity of the problem their banks face with property loans.

Last year it was fashionable to dismiss comparisons between Thailand and Mexico. Thailand also relies heavily on short-term capital flows to finance a large current account balance of payments deficit, but the general view was that its higher growth rate would float it away from the kind of crisis that overtook Mexico in 1994.

That may still be the case. Thailand has reserves equivalent to more than six months of imports. Even if things deteriorate, there is no global systemic risk and there is unlikely to be a need for a Mexican-style international rescue.

But that is not to belittle the problem. Thai banks and companies have large unhedged foreign currency borrowings. They will face serious repayment difficulties if the baht is allowed to fall. So the Bank of Thailand believes it must hold up interest rates, even though weak demand would normally indicate easier monetary policy.

The snag is that this is storing up further trouble in the financial sector. With something like 70 per cent of bank credit backed by property collateral or lent directly to that sector, more trouble is on its way. The new supply of property coming on to the market this year and next exceeds forecast demand by a multiple.

Thailand's authorities cannot wriggle out of the difficulty by persuading stronger banks to take over ailing institutions. That would only weaken the system as a whole. Some institutions must be allowed to fail. Confidence in the rest must be rebuilt with deposit protection, tighter accounting standards as well as strengthened capital and, if necessary, central bank liquidity support.

That need not mean the Thai miracle is over, still less that of Asia as a whole. Other countries, notably the Philippines and Malaysia, face a property glut. But immature economies will always suffer growing pains; Thailand's experience underlines the need for care in managing them.

Phone dilemma

As the bosses of American Telephone & Telegraph bare their souls before Wall Street, other telecoms operators should wince in sympathy. AT&T's two-day meeting for analysts is more than just an opportunity for the company's new president, Mr John Walter, to reassure investors. It is also a reminder for telecoms operators round the world that deregulation has two stages.

In the first stage, newly liberated monopolies – the AT&Ts, British Telecommunications, Deutsche Telekoms – unleash the competitiva energies held back by decades of regulation. Marketing is king: workforces are slashed; prices are set to maximise profits rather than to meet the arcane rules of regulatory accounting. New entrants find it hard going. The former monopoly's market share falls, but rapid growth in call volumes offsets this, and costs fall faster still. Customers and shareholders alike are happy.

The second stage is one which AT&T has already entered, and which the privatised telecoms operators elsewhere will inevitably encounter in some form. In this phase, technological innovations and the hard-won survival skills of the remaining new entrants start to offset the former monopolist's advantages of incumbency. No matter how fast the big company restructures, it finds it hard to offset the [illegible] of its smaller rivals. Not only can they offer lower costs, they may also be able to offer better service.

That leaves the big company with a dilemma. The costs of outflanking its smaller rivals, by yet more reorganisation and heavy investment, may be more than shareholders can contemplate. Yet without such a gamble, market share will erode at an accelerating pace, eventually making the big company's cost structure unsustainable.

For AT&T, the dilemma is particularly acute, since it faces a second set of competitors, in the form of its offspring, the Baby Bells. Many of these are still in the first, virtuous, phase; and they inevitably have a closer relationship with local customers than AT&T. To compete in the local market without running wire down every street in America, AT&T plans to use "fixed wireless" technology. But even this is costly.

Yesterday and today, AT&T is telling its shareholders the unpalatable news: buying a route into the future is expensive. The lesson is relevant to other telecoms operators, worldwide. For each, the precise threats are different. Yet all face a similar dilemma. They must continue to invest, yet cannot be sure of sustained returns. For the telecoms giants, the world is a riskier, more expensive place.

TV debates

The US does it; most parliamentary democracies in the western world now do it as a matter of course. Britain, by contrast, has never staged a televised debate between its main political leaders – before a general election or at any other time. The election due by May is the moment to correct this undemocratic anomaly.

Already, the three main party leaders are circling with varying degrees of suspicion around the idea of a debate. But a clear challenge has yet to emerge either from Mr Tony Blair or Mr John Major. Behind the signals there is cavilling about possible terms and the threat of legal action if Labour and the Tories conspire to exclude the Liberal Democrats' Mr Paddy Ashdown from an eventual contest.

This is feeble, and merely amplifies the vacuity of current political discourse. With policy differences between the main parties shrinking and reasoned policy discussion supplanted by soundbites and slogans, the personalities and instincts of the party leaders assume greater importance. A properly organised TV debate is the voters' best chance to compare the candidates and test their arguments.

How do we get from here to there? Past experience is not encouraging. The tradition is for opposition leaders to challenge and incumbents to decline. The one exception was [illegible] down the gauntlet and challenger Margaret Thatcher refused to pick it up.

This time could be different. Given his dismal poll showings, Mr Major has little to lose from a debate and potentially much to gain. He is an attractive and articulate performer in informal discussion, and he has a decent story to tell. The upside may be less significant for Mr Blair, but it could be damaging for him to duck a challenge.

One possible problem concerns Mr Ashdown. The Conservatives in particular – worried that the two other participants will gang up on their man – may try to exclude the Lib Dem leader on the grounds that he is not a potential prime minister. This would not only be to deny the political arithmetic that gives the third party the support of about a sixth of the electorate. Almost certainly it would also leave the debate idea legally stillborn.

This and other obstacles would be eminently surmountable within the right framework. What is needed is a neutral body – the Hansard Society and the Electoral Reform Society both spring to mind as internationally respected arbiters – to propose terms and negotiate with the parties on its own initiative. Left to themselves, the politicians will find it all too easy to fail to agree. They should not be allowed to do so, and in the process escape the

Curse of the pyramids

Albania's impressive transition to the free market is threatened by the storm over failed investment schemes, says **Kevin Done**

Albania is staring into the abyss. In the first fearful hours of a state of emergency, the country is in danger of slipping back into the chaos that marked its traumatic emergence six years ago from decades of Stalinist isolation.

Mr Sali Berisha, Albania's president, has failed to find a political solution to the rising wave of violent unrest that has swept the country during the past six weeks. On Sunday night, after the fall of the government led by Mr Aleksander Meksi, he took the desperate gamble of deploying troops to try to end the riots.

Triggered by the collapse of a string of fraudulent pyramid finance schemes that has cost many Albanians their life's savings, the current turmoil has developed rapidly from a financial disaster into a political crisis. But it also threatens to undermine the fragile stability of the surrounding Balkan region.

As Mr Berisha desperately tried to maintain his grip on power, he was re-elected president yesterday by parliament for a second five-year term – with 113 votes in favour, one against and three abstentions.

The result was never in doubt. His ruling Democratic party holds 122 of the 140 seats in the parliament following a general election last year which was widely condemned for ballot-rigging, intimidation and violence.

Even as Mr Berisha was swearing the presidential oath yesterday to "protect and develop democracy, freedom and human rights", the authorities were imposing a nationwide state of emergency with a dusk-to-dawn curfew, roadblocks and censorship of the media.

Such drastic moves come after months of already mounting concern in the west, and in particular in Washington, about the increasingly authoritarian nature of the Berisha government.

A recently published US government human rights report says that: "The flawed May elections, coming at a time of further government pressure on the judiciary and the press were major steps backwards for democracy." According to the US study, organised crime has surged, the government's human rights record has worsened, while the judiciary is "hampered by political pressures, insufficient resources, inexperience, patronage and corruption".

Immediately after the fall of the communist regime, the country also lacked a functioning banking system, an environment that allowed the first pyramid schemes to establish themselves. Tha real pyramid scheme "mania" developed only during 1996, however, when new schemes were formed and competition drove up the interest rates offered. Albanians began to sell their homes, land or livestock to take advantage of promises from so-called charitable foundations to double their money in just two to three months.

According to western financial observers, more than $1bn was invested in the schemes – equivalent to more than a third of the country's gross domestic product. The collapse of the schemes, which is still under way, has led to losses of hundreds of millions of dollars in savings and plunged many Albanians back into the poverty of the early 1990s.

"These were the funds that should have gone into creating small businesses or paid for stakes in companies being privatised," says a foreign banker. "They should have been captured in savings accounts or gone into new housing."

The protesters and the opposition parties have called for the dismissal of the government, which has been widely blamed for allowing the development of the fraudulent pyramid finance schemes. For a moment at the weekend Mr Berisha's hardline approach appeared to waver when he agreed that the Meksi administration should resign.

The gesture to the opposition forces was brief, however. Less than 24 hours later Mr Berisha imposed the state of emergency with a warning that the country faced the threat of civil war.

As Albania has plunged deeper into crisis the ruling Democratic Party has resorted to using the rhetoric of the regime it ousted. Mr Berisha vowed on Sunday to use the "iron hand" of the law to crush the unrest in the country, which he described as "a communist rebellion backed by foreign intelligence agencies.

"This group has attacked the people, the institutions, broken the banks and freed prisoners. It is an armed communist rebellion. They have launched a war to take over the country."

The turmoil triggered by the pyramid schemes' collapse is jeopardising much of the undoubted achievement of the early Berisha years.

At the start of his presidency in early 1992 Albania was close to starvation, its economy at a standstill, its agriculture and obsolete heavy industries in collapse. The image of the time was of thousands of desperate Albanians clinging to the sides of rusting ships, seeking to flee to a better life across the Adriatic in Italy and elsewhere in Europe.

The country pulled back from the brink in remarkable fashion and enthusiastically espoused the transition reform programmes put forward by the International Monetary Fund, the World Bank and other western institutions.

On a per capita basis, more aid was poured into Albania than into any of the other economies in transition from communism to the free market. The country was fast becoming a 'model pupil of the IMF and, with a population of only 3.2m, its problems, such as the absence of the institutions of a pluralist democracy, and a free market economy seemed manageable.

Less than two years ago, inflation was down to 6 per cent and economic growth was outstripping any other country in former communist eastern Europe. But those gains had already started to slip away as last year's election loomed, as the government began to lose control of the budget deficit, inflation started to rise and the momentum of reform and privatisation was lost. And with all attention focused on holding on to power, the government ignored growing warnings from the central bank about the dangers of the mushrooming pyramid schemes.

Albania was also becoming caught up in a growing lawlessness, which the fledgling institutions of a newly democratic state were hard-pressed to counter. Corruption is endemic in Europe's poorest country, where average public sector wages are less than $100 a month and gross domestic product per capita at around $850 is on a par with many African countries.

Illegal activities have flourished, ranging from drugs and arms trafficking to the movement of clandestine immigrants across the Adriatic to Italy. The years of UN sanctions against Yugoslavia encouraged smuggling, in particular of oil, into neighbouring Montenegro and Serbia.

The process of unravelling the pyramid schemes is still far from over, and it is too early to assess the extent of the damage inflicted on the economy. The signs of concern are evident, however.

The currency, for several years one of the most stable in eastern Europe, has been devalued by more than a third since the beginning of the year, as confidence has ebbed away in the foreign exchange market. The rate of inflation is rising and in December had reached around 18 per cent year-on-year.

The budget deficit is under heavy pressure with the domestically financed deficit rising to 10 per cent of gross domestic product last year from 7 per cent in 1995. The economy is kept afloat only by the inflow of hundreds of millions of dollars a year from Albanians working abroad and from foreign aid – from the European Union, Italy, the World Bank, Germany and the US.

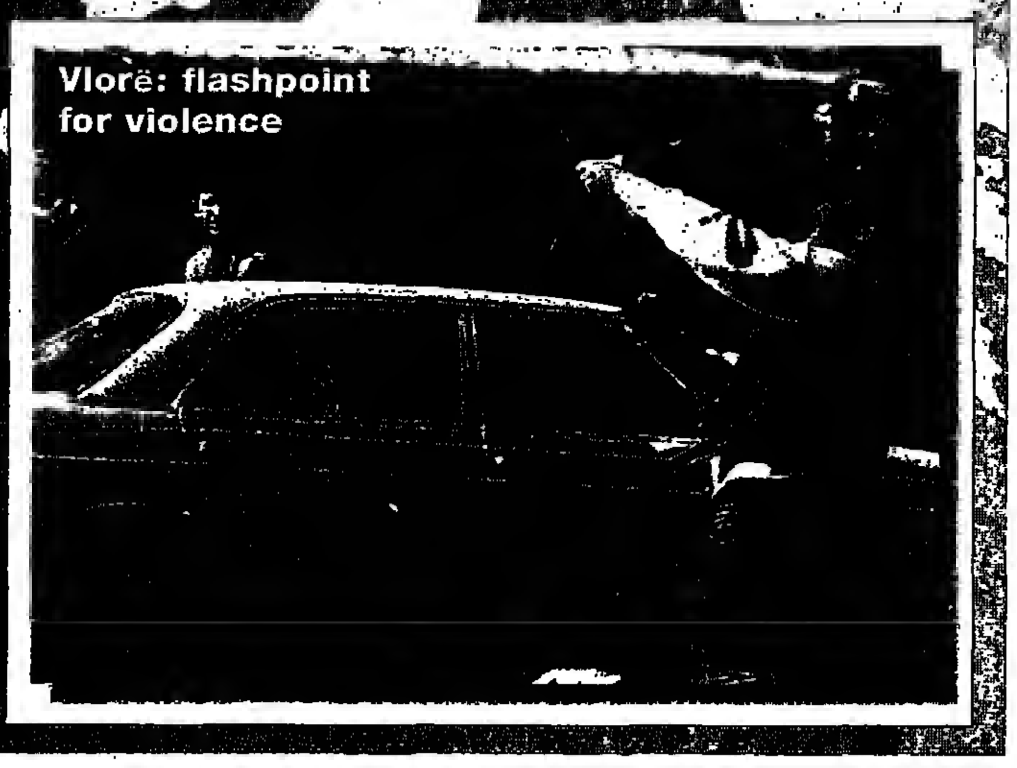
Albania's neighbours, Greece and Italy, are fearful of a fresh exodus of illegal immigrants. In Brussels and Washington, there is increasing alarm at the impact of mounting chaos in Albania on the neighbouring Serbian province of Kosovo where around 2m Albanians live.

The Kosovo Albanians, 90 per cent of the population, want independence from Belgrade which rules them with harsh repression in a virtual police state. Although they look strongly to Tirana for support in their cause, the Berisha administration has so far advocated peaceful protests within existing borders.

But there have been recent signs of greater militancy in Tirana where an embattled government could seek a diversion from its domestic woes. Even without the latest turmoil, Kosovo was already regarded by many observers as the most explosive problem in the Balkans tinderbox after Bosnia.

Little can be determined, however, until the government succeeds in resolving the immediate challenge it faces on the streets. The ultimate price of paying off demonstrators and restoring calm through some type of government bail-out for devastated savers could easily take Albania into a spiral of hyperinflation.

Albania is a country with a legacy of fearful wounds suffered in 50 years of virtual isolation from the world under the harsh communist regime of Enver Hoxha. Sadly Mr Berisha, a former cardiologist and doctor to the communist elite, has yet to show thet he can provide the care to help the country heal tha scars.



Vlorë: flashpoint for violence

OBSERVER

[illegible]

[illegible] the European Central Bank – of the temptations which could interrupt his journey towards economic and monetary convergence. "Beware the songs of the sirens," he said.

But who are the dangerous dames who could lure Duisenberg off his intended course? Not the legendary ladies of the Lorelei – the rock in the Rhine where sirens are supposed to lounge – but the inhabitants of a certain "island". According to Tietmeyer, some of the island's inhabitants "sing in the highest tones of a financial culture which is supposedly that of the future".

Presented with the choice between the continental European system, which Tietmeyer celebrated for its long-termism, and the siren-temptations of the Anglo-Saxon [illegible] issued clear advice: "Wim, stay on the Continent!" Whichever way he chooses, let's hope he stays afloat.

Back chat

■ Ukrainians are famous talkers and are, naturally, fond of committees. So it comes as no surprise that President Leonid Kuchma has formed a committee to talk about talking – in Ukrainian.

The president wants people to stop nattering away in Russian, as most of them do, and take up the national language instead. A former Soviet factory boss, Kuchma set an example upon winning the presidency by dusting off his rather rusty Ukrainian. In public he never wavers. But, when haranguing advisers or chatting with his ethnic Russian – wife, he quickly reverts back to the imperial tongue. Makes you wonder what language the new committee will use at its inevitably long-winded sessions.

Women's work

■ Once upon a time, being a woman on Wall Street was an almost insurmountable handicap. These days it is being trumpeted as a selling point. Yvonne Clifford and Alexa Willson [illegible] buy-out fund owned and run by women; they argue that the feminine viewpoint gives them an edge.

Their buy-out firm, aptly named Juno Partners, hopes to raise $250m this year to invest in small to medium-sized US companies. Cliff and Willson believe their contacts among professional and entrepreneurial women will provide useful contacts. They also plan to focus on companies where being female helps them understand the business.

"We are hyper-aware of the enormous range of new products and niche services that have developed for women and children," says Willson. "Our lifestyle choices will have a direct bearing on our acquisition choices." They are already looking at dermatology and skin products designed to combat the effects of ageing. As if men don't have to worry about spots and wrinkles.

Thai in knots

■ Relations between Thailand's struggling property companies and their creditors are hitting new lows. A recent fax from developer President Park Group to Siam City Credit Finance & Securities speaks volumes.

"Re: Syndicated Loan of Baht 600 million [$24m]," reads the [illegible] but not sent until the following afternoon. "We would appreciate you assistance in postponing our due with the consortium which is coming up on February 28, 1997. Wa would be able to make the payment on March 15, 1997. Nonetheless, we are trying to rush the sale transaction so that the above loan can be repaid by March 31, 1997."

Though the indecipherable warning was sent a little late – less than five hours before payment was due – the fax might never have arrived at all. It was sent to a number which Siam City Credit has not used for more than a year and was addressed to one Nipon Viboolmeth, who is no longer with the company.

Hard stuff

■ Smuggling contraband is big business now that Sweden is a member of the European Union, where spirits are significantly cheaper. But Swedish customs are at a loss what to do with the half a million litres of confiscated liquor which is now clogging up their warehouses.

Rather than tip the illicit liquid down the drain, officials have instead decided to sell it. Not for public consumption, you understand. The first 11,000 litres of vodka has been sold to a company which plans to turn it [illegible]

The Financial Times

100 years ago

Millions Of Tarnation Dollars
The Republican Club of New York City is exercised in mind by reason of the stubborn refusal on the part of Canada to beg for a share of the stars and stripes. The collective genius of the Club has committed itself to putting the matter to rights. Canada, it appears, has been making money under the regulations that permit traffic to be carried from one point in Canadian territory to another via the United States without paying duties. The value of the regulations is said to be $20,000,000 per annum to the Canadian railways. That settles the matter. No reasonable American can be blamed for a shriek or two when twenty million tarnation dollars are going into a stranger's pocket.

50 years ago

Military Integration
Integration of the British and French military forces would open the way for decisive economies in manpower for both countries. Britain is maintaining a military force far in excess of pre-war levels at a time when her home labour ranks urgently call for reinforcement. France has an unduly large proportion of her population similarly occupied when she urgently needs labour for agriculture

FINANCIAL TIMES
Tuesday March 4 1997

Fears grow for future of loan companies

Thailand halts trade in financial stocks

By Ted Bardacke in Bangkok

Thailand's finance officials suspended trading yesterday in banking and other financial sector stocks and announced a series of measures to prevent the collapse of the country's finance companies.

Mr Amnuay Viravan, finance minister, said he could not guarantee that dealing in the stocks – which account for about 35 per cent of total market capitalisation and about 70 per cent of trading volume – would resume today.

In reply to criticism from local and international investors for ordering the suspension of the bourse's most liquid stocks, he said he wanted to avoid any panic after the near collapse last week of Finance One, Thailand's largest finance company.

He said the pause in trading would give the market time to absorb the new measures, under which banks and finance companies will be required to increase provisions for bad debts. They will have to make provisions over the next two years for substandard loans, in addition to the bad and doubtful loans they are already obliged to cover.

The cost is estimated at $923m for banks and $1bn for finance companies.

Some companies will also have to increase their capital. Ten finance companies with "liquidity problems" have been ordered to do so immediately. The finance companies have tended to lend to people and companies who would find it hard to borrow from banks.

The central bank will act as the lender of last resort to enable companies to meet the new provisioning and capital requirements.

Analysts estimate that five of Thailand's 15 commercial banks will need to increase provisions, and that most of the more than 90 finance companies do not even meet existing provisioning requirements – and will be unable to raise sufficient capital in the current environment.

Many of these may end up under the protection of the central bank, merge, or be taken over – as was the case with Finance One. Its takeover by Thai Danu Bank, a small commercial bank, was approved yesterday.

Bankers said the measures would strengthen the financial system's ability to withstand future problems. "Most important is that there is a strong formula for reserving for doubtful debts. This is fundamental for good financial management," said Mr Banthoon Lamsam, president of Thai Farmers Bank.

Yet, after weeks of denying that such problems exist, the admission by the central bank that several finance companies face liquidity crunches – combined with the unprecedented trading suspension – heightened fears that a systemic crisis was developing.

Despite a televised exhortation from Mr Chavalit Yongchaiyudh, prime minister, for "people to stop and think before growing panicky", many finance companies reported runs on deposits. The stock exchange closed down 2.79 per cent.

Victim of a deadly financial cocktail, Page 4; Editorial Comment, Page 15; Observer, Page 15; See Lex.

Albania re-elects president as violence escalates

By Kevin Done in London

Mr Sali Berisha, Albania's embattled president, was elected unopposed for a second five-year term by parliament yesterday, as the authorities enforced a state of emergency in an attempt to quell weeks of civil unrest.

The interior ministry said "armed rebels" would be shot if they did not surrender weapons by yesterday afternoon. But demonstrators in Vlorë, Saranda and Gjirokastra, the southern towns where violence escalated over the weekend, were back on the streets yesterday evening.

Greek television showed chaotic scenes of protesters in Saranda firing pistols and automatic weapons into the air and shouting for President Berisha to resign. Children were shown brandishing grenades outside looted shops and a burned-out police station.

The television showed protesters, who had seized control of an Albanian naval base outside the town, aboard a ship. They were planning to sail several patrol boats to the Greek island of Corfu to keep them out of the hands of the Albanian military.

"It's a popular rebellion and there is no sign at the moment of the police or military coming to intervene," said Mr Thomas Mitsiou, a member of the Albanian parliament for the Union of Human Rights, the ethnic Greek political party.

The caretaker government introduced other measures, including controls and an extension to military service.

The state of emergency was declared on Sunday night in an attempt to halt protests against the collapse of a string of fraudulent pyramid finance schemes in which many Albanians have lost their life savings.

Mr Berisha was re-elected by 113 votes to one with four abstentions. His ruling right-wing Democratic party won in last year's general election, which was widely condemned for ballot rigging, intimidation and violence. The main opposition Socialist party is boycotting parliament.

The European Commission appealed to the opposition and government to show restraint.

Greece and Italy yesterday moved to tighten border controls amid rising anxiety about an exodus of illegal emigrants. Italian marines mounted a helicopter mission to evacuate 35 foreign nationals trapped in Vlorë.

Additional reporting by Kerin Hope in Athens, Robert Graham in Rome and Lionel Barber in Brussels

Curse of pyramids, Page 15

Murdoch sells stake in TV group

Continued from Page 1

to have been under pressure from Asahi group to buy the stake.

The disposal is seen as a sign that the News Corp-Softbank alliance had not been able to achieve its targets. For example, shareholder opposition had stopped it sending directors to the TV Asahi board.

"They had a stake, but no control," said Mr Paul Smith, analyst at HSBC James Capel.

The two companies jointly own JSkyB, the satellite multi-channel broadcaster due to start services next year. Mr Murdoch had stressed that the co-operation of Japanese broadcasters would be crucial to JSkyB's success. He had sought that co-operation through the TV Asahi stake.

Instead, he has received a loose commitment from the Asahi group to "maintain friendly relations and co-operate as much as possible in . . . JSkyB" in return for selling the stake.

"The merits [of the sale] are very clear. The first is that it has resulted in an even closer relationship with Asahi Shimbun and not just TV Asahi," said Mr Murdoch. "It was a good experience which I think will lead to an even better experience."

UN sees tax law as key to drug battle

By Ian Hamilton Fazey in Vienna

Tax evasion should be included in all extradition treaties to help fight drug trafficking and money laundering, the United Nations agency for monitoring the narcotics trade says in a report today.

The Vienna-based International Narcotics Control Board says it is essential to counter money laundering more effectively in order to destroy international drug cartels, and that most money laundering involves tax evasion.

But many countries exclude tax and fiscal offences from extradition treaties, and developing countries are particularly likely to forbid extradition for such offences.

The report says tax evasion is an important weapon against drug traffickers because of the way the illegal drug trade – worth an estimated $500bn a year – has become global.

"The organisers of a criminal network may be based in one country, the producers in a second, the distributors in a third and the proceeds may be laundered in a fourth," the board points out.

The UN agency says governments could do more to co-operate against drug trafficking. "Many states refuse to extradite their own nationals," it says. "The time has come to consider alternatives to such blank refusals."

One possibility is that people extradited for trial would be returned to their own country to serve any sentence, helping poor countries which cannot afford maximum-security prisons and allowing prisoners to be nearer their families.

The report does not consider the issue of extradition from a country which does not have the death penalty to one which does. Some countries, such as the Netherlands, never allow their nationals to be extradited in such circumstances.

The board says most police forces do not have the resources and skills to do more than arrest street sellers and drug users, "leaving intact the structure of the production and distribution chain and, above all, the management."

"A more strategic approach to tackling drug trafficking is needed to reduce supply and free the stretched resources of national criminal justice systems," the report says.

"The aim should be to disrupt the operations of entire drug gangs and eventually put them out of business.

"Weak and permissive jurisdictions can be strengthened and safe bavens gradually sliminated," the board adds.

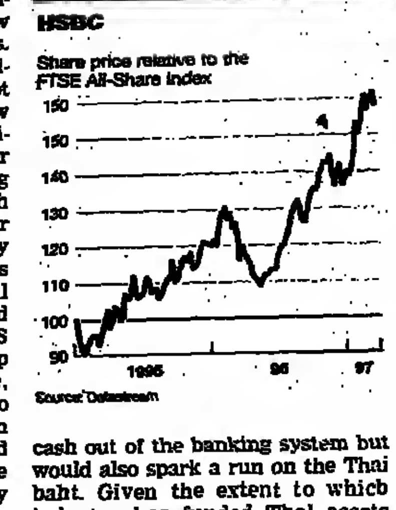
THE LEX COLUMN

AT&T's alarm call

AT&T has become to telecommunications what International Business Machines was to computers: a lumbering giant with little idea of how to respond to nimbler competitors. Despite endless rounds of reorganisation, it has never managed to root out its bureaucratic culture. Now Mr John Walter, AT&T's new president, is embarking on yet another restructuring. He is also investing $8bn-$9bn this year (compared with $6.8bn last year) to catch up faster rivals at home and abroad. Not only has British Telecommunications stolen a march in international markets; the likes of WorldCom and MCI have attacked the local US market – which is just opening up – more aggressively. Meanwhile, AT&T seems at a loss over how to stem the decline of market share in its core long-distance market – and that is before competition from the local Baby Bells has been fully unleashed.

All this makes for a pretty depressing picture in the short term – hence yesterday's profit warning. The bigger worry is that AT&T may have missed the boat and that the extra billions will be money overboard. Investors must be hoping Mr Walter can resuscitate AT&T's share price the way Mr Louis Gerstner revived IBM's. But it would be premature to bet on it.

FTSE Eurotrack 200:
2171.5 (-9.2)



Thailand

Thailand's banking sector has been an accident waiting to happen. Thailand is a sick tiger and the almost 50 per cent decline in its stock market since January 1996 suggests the extent of its malaise. The banking sector has been at the heart of the problems, lending overzealously. Poor loans have traditionally been bailed out by asset inflation, but not this time. And problems have been exacerbated by the government's struggle to protect the currency, resulting in a sharp increase in short-term interest rates. So it is hardly surprising that the government is belatedly trying to encourage the strong banks to rescue the weak.

It is tempting to suggest that a dose of corporate Darwinism would be best. After all, many finance houses have been brought to their knees by incompetent or possibly even corrupt management, so why should taxpayers or shareholders in stronger banks bail them out? The problem is that a policy of letting them go bust would not only result in depositors stampeding to take cash out of the banking system but would also spark a run on the Thai baht. Given the extent to which industry has funded Thai assets with dollar loans, a weaker baht would spark even greater problems.

Nonetheless, the government's move to suspend trading in all banking stocks looks about as astute as the Hong Kong stock exchange's similar attempt to hold back the October 1987 crash. It not only reminds investors of the risks of emerging markets but also shows just how concerned the government is about the banking system. Banks and finance houses generate around half the stock market's profits, so investors are in for a rough ride.

HSBC

HSBC's strategy of becoming the holding company for a global bank may be beginning to work. Shareholders have gained little benefit from its moves to dilute Asian earnings through acquiring UK and US banks, and its shares trade at a conglomerate-style discount to the sum of its parts. However, HSBC's size has enabled it to run smaller banks which would otherwise be too small to be truly competitive. Midland has substantially improved its cost/income ratio and taken market share, despite being the relative minnow among the big four British banks. Marine Midland in the US has similarly become a very low-cost bank, benefiting from HSBC's bulk through cheaper technology and capital.

The only area where the group retains too much fat is its balance sheet. The management argues that in Asian markets where customers have no deposit insurance, banks need strong balance sheets. But the group could hand back £5bn to shareholders and have a tier 1 capital ratio higher than most UK banks. However, the group would probably love to make acquisitions such as beefing up its fund management business. It clearly finds current prices unpalatable, but the management will be tempted to sit back and wait for the proverbial golden opportunity.

Nonetheless, the group's Asian growth prospects contrast with the more pedestrian UK banking sector's rating, meaning the shares remain attractive. And with all that balance sheet slack, there is scope for a more generous dividend pay-out.

JSkyB

No sooner has Mr Rupert Murdoch put his US pay-television venture on to a firmer footing than his Japanese plans are wobbling. Being forced to sell their stake in TV Asahi is a blow for Mr Murdoch's News Corporation and Softbank, its entrepreneurial local partner. Though they they have managed to sell for the price they originally paid, News Corp will presumably be sitting on a dollar loss given the yen's recent depreciation. Moreover, the episode demonstrates the difficulty of breaking into Japanese broadcasting: simply barging in does not work, as Mr Murdoch has also found to his cost in China.

That said, the move could turn out to be a case of *reculer pour mieux sauter*. The main prize is JSkyB, News Corp's and Softbank's planned satellite platform. The original swoop on TV Asahi, a conventional broadcaster, was designed to help generate Japanese-language programmes for the platform. With Asahi not prepared to play ball, it is sensible to sell the stake and try to cut a friendly deal. There is still no deal, only vague pretensions of friendship. Moreover, JSkyB suffers from being a late entrant in a three-cornered fight. Still, the market is far from sewn up; and, if JSkyB manages to clinch Sony as an partner, it will look stronger.

The saga illustrates yet again that multi-channel TV is theoretician's dream but a practitioner's nightmare. But that, of course, is one reason why News Corp ought to have a competitive advantage: it has much experience confronting precisely such problems.

Additional Lex comment on Avis, Page

FT WEATHER GUIDE

Europe today

Rain will occur along a front stretching from Ireland across Belgium and southern Germany to Austria.

South-west Norway will also have rain, while the south-east will have a mixture of sun and cloud.

The northern Benelux will have soma sun and northern Germany will be very sunny. Poland and the Baltic states will have sunny periods.

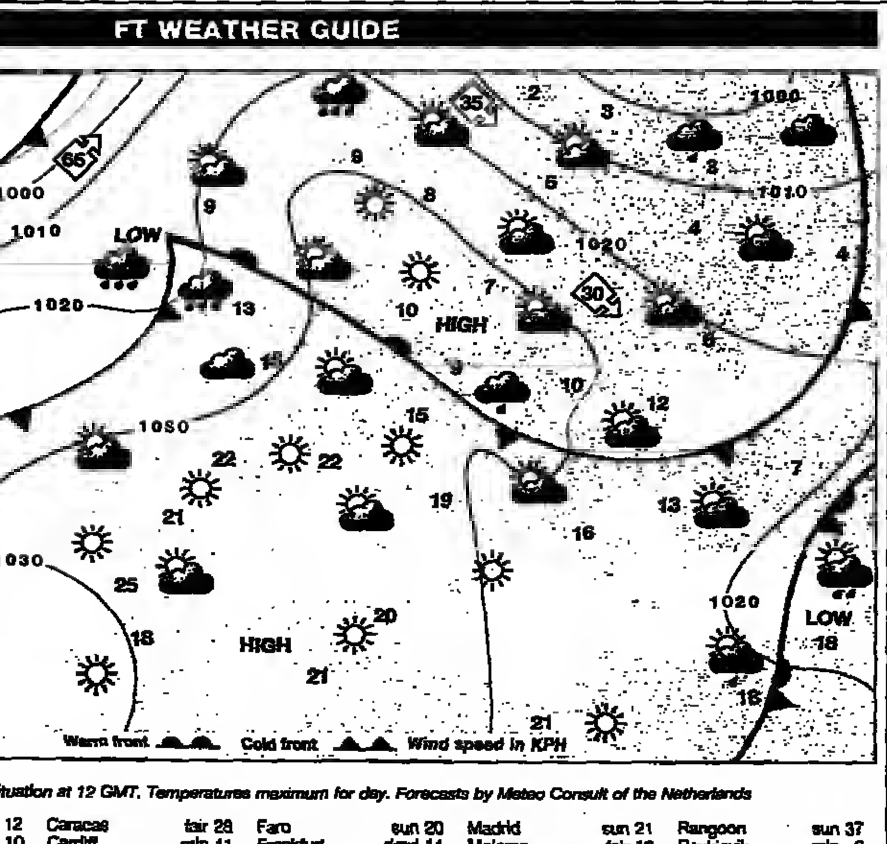
Southern Europe and the Mediterranean will be sunny, although the eastern Mediterranean will have a shower or two, as a disturbancs lingers.

The Balkans will be mainly dry with some sunny periods. Ukraine and Russia will have sunny periods.

Five-day forecast

High pressure will provide most of north-western Europe with fair conditions over the next few days, although a series of fronts will produce some cloud.

The western Mediterranean will have ample sun, while s new disturbance will develop in the east.



TODAY'S TEMPERATURES

Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

	Maximum Celsius										
		Beijing	sun 12	Caracas	fair 28	Faro	sun 20	Madrid	sun 21	Rangoon	sun 37
		Belfast	rain 10	Cardiff	rain 11	Frankfurt	drzzl 11	Majorca	fair 18	Reykjavik	rain 6
Abu Dhabi	fair 28	Belgrade	cloudy 15	Casablanca	sun 19	Geneva	sun 18	Malta	sun 18	Rio	thund 28
Accra	fair 31	Berlin	sun 10	Chicago	rain 5	Gibraltar	sun 17	Manchester	rain 11	Rome	fair 19
Algiers	sun 19	Bermuda	cloudy 25	Cologne	drzzl 12	Glasgow	fair 9	Manila	fair 31	S. Frsco	sun 18
Amsterdam	fair 10	Bogota	fair 18	Dakar	sun 32	Hamburg	sun 9	Melbourne	fair 20	Seoul	fair 8
Athens	sun 15	Bombay	sun 35	Dallas	fair 23	Helsinki	fair 2	Mexico City	sun 28	Singapore	fair 31
Atlanta	fair 25	Brussels	rain 11	Delhi	sun 30	Hong Kong	fair 20	Miami	sun 28	Stockholm	fair 7
B. Aires	fair 22	Budapest	cloudy 8	Dubai	fair 26	Honolulu	fair 28	Milan	sun 17	Strasbourg	cloudy 15
B.ham	rain 11	C.hagen	sun 8	Dublin	rain 11	Istanbul	fair 11	Montreal	snow -4	Sydney	shower 26
Bangkok	sun 36	Cairo	fair 18	Dubrovnik	fair 15	Jakarta	fair 31	Moscow	drzzl 5	Tangier	fair 19
Barcelona	sun 17	Cape Town	shower 20	Edinburgh	fair 9	Jersey	rain 12	Munich	rain 11	Tel Aviv	cloudy 18
						Karachi	sun 32	Nairobi	fair 29	Tokyo	sun 11
						Kuwait	fair 25	Naples	fair 18	Toronto	cloudy 0
						L. Angeles	sun 23	Nassau	fair 29	Vancouver	rain 7
						Las Palmas	sun 23	New York	cloudy 6	Venice	sun 15
						Lima	fair 28	Nice	sun 17	Vienna	cloudy 10
						Lisbon	sun 22	Nicosia	fair 17	Warsaw	fair 5
						London	rain 13	Oslo	fair 9	Washington	fair 13
						Lux.bourg	rain 11	Paris	cloudy 15	Wellington	fair 21
						Lyon	sun 19	Perth	sun 31	Winnipeg	sun -11
						Madeira	fair 21	Prague	sun 5	Zurich	fair 15

هيكل المواد

FINANCIAL TIMES
COMPANIES & MARKETS
©THE FINANCIAL TIMES LIMITED 1997 Tuesday March 4 1997 Week 10

IN BRIEF

ABN Amro buys US futures trader

Netherlands-based ABN Amro bank extended its reach into US capital markets when its US subsidiary, ABN Amro Chicago Corporation, acquired Citicorp's futures trading business. Page 18

Salomon moves senior post to London
Salomon Brothers has appointed a new London-based chief economist, Mr Kermit "Kim" Schoenholz, the first time the senior research job at the investment bank has not been based in New York. Page 18

Avenor revises bid for Repap
Avenor, one of North America's top integrated forest products groups, bowed to pressure from shareholders by radically revising the bid it made last December for Repap Enterprises, a big timber, pulp and coated paper producer. Page 19

Profits fall sparks cuts at Aga
Aga, the Swedish industrial gas supplier, posted a 17 per cent fall in profits before capital gains and announced extensive restructuring moves to cut costs and improve earnings. Page 20

Santander plans 3-for-1 share split
Banco Santander, Spain's leading banking group, said it planned to reduce the nominal value of its shares from Pta750 to Pta250 ($1.5), tripling the number that it trades on Madrid's Bolsa to 479m. Page 22

Big groups face Pallas costs
A number of leading French companies may be required in their role as shareholder to make good substantial debts incurred by Comipar, the holding company, and Pallas Stern, its banking subsidiary, which were liquidated last Friday. Page 22

Forward chief gains £48m from sale
Mr Ray Chamberlain, executive chairman of Forward Group, the printed circuit board company which issued a profits warning in November, will receive £47.7m as part of Forward's acceptance of a £129m cash offer from a US leveraged buy-out specialist. Page 28

Companies in this issue

Market Statistics http://www.FT.com

Chief price changes yesterday

[illegible]

Gazprom to back foreign shares

Russian gas monopoly moves to calm investors as price plummets

By Chrystia Freeland in Moscow

Gazprom, the Russian natural gas monopoly, moved yesterday to reassure nervous international investors that it would defend the value of its foreign shares whose price has plummeted over the last week.

The company said it would keep the distinction between foreign and domestic shares following conflicting signals which have unsettled international investors barred from buying cheaper stock in tha domestic market.

The foreign share price, which had been about four times higher than stock available to Russians, dived last week whan Gazprom suggested that outsiders might be allowed to buy in the domestic market. Tha confusion threatened to jeopardise future share issues aimed at foreign investors.

"The company will maintain the separation of the domestic and foreign markets as it is legally required to do," Mr Leonid Griaznov, a top Gazprom strategist, said yesterday.

Last October, Gazprom opted for the dual markat policy when it placed 1.15 per cent of its equity with international investors. The company, which is legally bound to sell a maximum 9 per cent of its equity to foreigners, chose to bundle its stock into American depository shares selling at four times the domestic price.

This created an opportunity for arbitrage – the exploitation of the price differential in tha markets.

Although foreigners were barred from owning the domestic shares, some Moscow-based investment banks have used grey areas in the law to buy these shares on behalf of foreign clients.

Two weeks ago, Gazprom pnblicly quashed the most open bid to give foreign investors access to the domestic market.

This was when Hong Kong-based Regent Pacific sought to establish a fund that would allow foreigners to invest in the domestic shares.

The waters were again muddied last week when Mr Rem Viakherev, Gazprom chairman, said foreigners owning companies registered in Russia could buy domestic shares through them. His remarks sent the ADS price down from a high of more than $20 to below $17. The domestic share price climbed from 52 cents to 68 cents.

But Gazprom and its western advisers insisted it would reinforce a separation between the two markets.

"Gazprom has made clear to us that it remains determined to keep the foreign and domestic markets separate," said Mr Andraw Balgarnia, head of the Moscow representative office for Morgan Stanlay, which was the book-runner for Gazprom's ADS offering last October.

Mr Griaznov said Russian law, the Gazprom charter and the way in which Gazprom was privatised all bound the company to maintain the distinction.

HSBC to take break from acquisitions

Financial group plans to concentrate on internal investment

By George Graham in London

HSBC Holdings, the giant financial group that includes Hongkong Bank in Asia and Midland Bank in the UK, expects to pass up most acquisitions over the coming year in favour of investing in its own businesses.

Mr John Bond, group chief executive, said HSBC was keen to expand in areas such as personal banking and insurance, but found it hard to justify acquisitions at current price levels.

"This group is unabashedly about growth. Our financial strength gives us the ability to grow by acquisition but we are very disciplined and selective," he said, as HSBC reported a 23 per cent rise in pre-tax profits to £4.52bn ($7.36bn).

Although the results were close to the market consensus, and several analysts subsequently upgraded forecasts for this year, HSBC shares, which have outperformed the market in recent weeks, fell by 1.9 per cent to 1562p.

HSBC has made a series of acquisitions in its far-flung empire over the last year, including some small US retail banks, but has found prices for larger deals excessive.

Prices in other sectors such as US investment banking or UK life assurance were also steep. "From our perspective, some of the prices are high and we estimate that our cost of capital is in the range of 12 to 15 per cent, so we have got to be very conscious of dilution," Mr Bond warned.

The HongkongBank group, which remains HSBC's biggest unit, reported a 15 per cent increase in pre-tax profits to HK$26.99bn. That includes a share of profits of HK$9.7bn reported by Hang Seng Bank, of which HongkongBank owns 61.5 per cent.

That came despite an unaccustomed jump in provisions for bad and doubtful debts in Hong Kong. At HongKong-Bank, provisions more than doubled to HK$1.4bn while at Hang Seng Bank the total charge taken leapt to HK$715m from HK$131m in 1995.

Midland Bank in the UK produced a 24 per cent increase in pre-tax profits to £1.27bn, while HSBC Americas, including Marine Midland Bank in New York, reported a profit of $551m before tax.

With Hong Kong now contributing less than 40 per cent of pretax profits, HSBC has now diversified dramatically.

Mr Bond said the group would be happy when Hong Kong reverts to Chinese rule this year because it would "remove an uncertainty in the eyes of certain western commentators – an uncertainty which we don't share."

Group chief executive John Bond: 'This group is unabashedly about growth but we are very disciplined and selective' Trevor Humphries

Lex, Page 16; Results, Page 23

SBC set to take 30% stake in SA Telkom

By Mark Ashurst in Johannesburg and Nicholas Denton in London

A consortium led by SBC Communications of the US is poised to take a 30 per cent stake in Telkom, Soutb Africa's national telecoms operator, after a last-minute withdrawal by the German operator Deutsche Telekom.

SBC Communications, tbe US regional operator, and its partner Telekom Malaysia were named yesterday after the group led by Telekom failed to submit an offer by last Friday's deadline. The SBC consortium is understood to have offered about $1.35bn.

The sala is the biggest privatisation in sub-Saharan Africa to date, and the lynchpin of government plans to create "a South Africa hub" for Africa's telecommunications traffic.

Mr Jay Naidoo, telecommunications minister, said the deal would be a catalyst for the roll-out of 4m new telephone lines within five years.

Although a final announcement is not expected until April, the government yesterday confirmed it would pursue negotiations with SBC and Telekom Malaysia. Mr Naidoo expects the deal to net R5-6bn ($1.1bn-$1.3bn).

In an effort to guarantee profits for the foreign shareholder, Mr Naidoo has offered to extend Telkom's monopoly of public exchange telephony for np to five years.

The monopoly was an incentive for Telkom to redress the legacy of apartheid telecommunications policy, he said. There is only one telephone line per 100 blacks in South Africa.

The most important criteria for selecting a foreign partner wonld be its ability to "achieve the roll-out targets, provide new technology and skills, and improve productivity. The rest of the issues are negotiable," said Mr Naidoo.

Telkom is currently servicing debts of R9bn, which absorb half its annual profits.

Deutsche Telekom had been the favourite to win but on February 18 its supervisory board meeting dropped management's proposed bid from the agenda. Telkom denied yesterday that Mr Ron Sommer, the company's chairman, had been overruled.

Sale of GAN businesses may be launched before summer

By Andrew Jack in Paris

Tha privatisation of tha principal operating businesses of GAN, the tronbled state-ownad French insurance company, could be launched before the summar, officials close to the discussions indicated yesterday.

Formal preparations for the sale of UIC, the property lending arm, as well as GAN Assurances, its insurance arm, and CIC, the group's regional banking network, could begin in the next three months.

This would help meet the government's objective of privatisation before the 1998 elections in France, and strengthen its campaign to win approval from the European Commission for a restructuring plan it unveiled last week to provids the company with FFr20bn ($3.5bn) of state aid.

GAN said last Thursday that it was making FFr14bn in extra property provisions, partly in an effort to write down its loans to current market values.

This was another indication that there were preparations for a rapid sale of all or parts of UIC, the property lender which was previously controlled directly by CIC.

It emerged yesterday that GAN is pushing CIC to develop a range of non-life insurance prodncts to be sold in its branches alongside the existing life assurance contracts. Under current plans, household and car insurance should be available from next year.

The move is designed to increase the economic links between GAN and CIC, which could be subject to a rapid sell-off separate from its insurance parent, even though an attempt to do so late last year was halted by the government.

GAN executives believe that the insurer should retain a 20-25 per cent stake in CIC after the sell-off, and the obligation should be maintained that the buyer retains the "bancassnrance" links between the two businesses, with the 11 regional banks in the CIC network selling GAN's policies.

They argue that to develop new non-life products would help make the link with GAN more attractive to potential purchasers. But some possible acquirers of CIC – such as Banqne Nationale de Paris, which bid for the bank last year – would prefer no obligation to sell GAN contracts.

Officials hope that they will be able to protect GAN from demands from the European Commission to sell off the group's foreign operations as a condition for approval of the FFr20bn aid package. They argue that GAN's presence is not large enough to present real competitive distortions.

Conrail bid battle nears end

By Richard Tomkins in New York

Share prices of the three big eastern US railways rose sharply in early trading yesterday on speculation that the companies were close to resolving a bid battle that has rumbled on since last October.

Under the proposed solution, Conrail, the bid target, would be bought by CSX, the friendly bidder. But CSX would break up Conrail and sell about half the company's routes to Norfolk Sonthern, the hostile bidder.

This would represent a [illegible]

way to CSX and keep it intact.

The bid battle started last year with an $8.4bn agreed takeover by CSX. It eventually prodnced a cash-and-share offer of $9.4bn from CSX and an all-cash offer of $10.5bn from Norfolk Southern.

Conrail shareholders refused to approve the agreed takeover by CSX becanse Norfolk Southern's offer was higher. But Pennsylvania's tough anti-takeover laws prevented Norfolk Southern from proceeding with its bid resulting in a stalemate.

The Surface Transportation Board, the federal regulatory body, asked the parties to [illegible] appears to have accepted the inevitability that a deal will have to be thrashed out. Analysts say the main remaining obstacle to a solution is Conrail's management.

Mr Douglas Rockel, an analyst at Furman Selz, said Conrail was delaying the process because Mr David LeVan, the company's chairman and chief executive, did not want to see the company dismembered.

Conrail said its board was holding a special meeting to consider a number of options.

In early trading, CSX was np \$3¾ at \$49½, Norfolk Southern was up \$2½ at \$93¾, and Conrail was up [illegible]

ABN Amro buys futures trader

By Laurie Morse in Chicago

ABN Amro, the Netherlands bank, has extended its reach into US capital markets by buying Citicorp's global futures trading business, throughABN Amro Chicago Corporation, its US subsidiary.

Citicorp's futures business had been on the market since last September, when the bank decided to concentrate on its core banking activities.

Though small in transaction terms – the deal was estimated at less than $20m – the Citicorp purchase will give a sizeable boost to ABN Amro's futures business.

The Dutch bank is the second-largest foreign bank operating in the US, with North American assets of $70bn.

It moved into US investment banking in January, with the acquisition of Chicago Corporation, a regional investment banker with domestic futures trading and clearing capabilities.

The addition of Citicorp's futures business will speed ABN Amro Chicago Corporation's goal to be a global futures concern.

"It will give us an office in Singapore, and a London office with about 50 people, as well as capabilities to clear Liffe [the London International Futures and Options Exchange]," said Mr James Gary, head of the group's futures business.

Citicorp has agreed to send all its proprietary futures trading business through the new ABN Amro unit, Mr Gary said.

"Our parent company has told us to create and manage a global futures business, and this is an excellent way to expand and pick up experienced people," he said.

The move into global futures dealing is a diversification for the Dutch bank, which has been on an acquisition march through the Midwest during the last five years.

It has added more than half-a-dozen thrifts to LaSalle Bank in Chicago, its North American flagship.

Late last year it made its biggest acquisition ever, buying Standard Federal in Michigan for $1.9bn.

Having steered a middle-market course to attract deposits and write loans in the Midwest, ABN Amro is looking for greater exposure in US capital markets.

Executives say it is continuing to shop for an acquisition that would put it into the asset management business in the US, and it may also grow or acquire an over-the-counter derivatives dealing operation.

"These are all areas where our parent company has told us to grow," said Mr Perry Taylor, executive vice president of ABN Amro Chicago Corporation.

Acer Computec seeks bigger network

Mexican computer group aims to repeat its home success across South America

In little more than five years, a locally-owned and recently-listed personal computer company has come from nowhere to become Mexico's best-known and top-selling brand.

Acer Computec Latin America, which assembles and distributes computers made by Acer, the Taiwanese company, has risen by relentlessly exploiting a niche that bigger computer groups have passed by – individuals and small businesses in Latin America.

Today, its stock is one of the few direct exposures to the $5bn Latin American PC market.

Now the company is turning its attention to the rest of Latin America, including finalising a $30m acquisition in Brazil.

Mr Sebastien Chatel, an analyst at Caspian Securities in Mexico City, says: "In Mexico, their best days have already been and gone. Their future growth is clearly in South America."

Acer's success in the late 1980s came from relentless price-cutting. By 1995 it was Mexico's leading brand, with one-third of the market, and employed 130 workers at its assembly plant in Mexico City.

The company also expanded throughout Spanish-speaking America.

Sales increased even after the peso devaluation almost halved the Mexican computer market in 1995. Only this year is the market expected to recover to the levels of 1994.

Last July, the company floated 23 per cent of its stock, since when its shares have risen 40 per cent, although recently declining, to give a market capitalisation of more than $358m.

Sales in 1996 rose 21 per cent in peso terms, to 3.47bn pesos ($435m), and 37 per cent in dollar terms. Operating profits of 240m pesos were 40 per cent up on 1995 in peso terms.

But Acer's attempts to move beyond home users and small businesses in Mexico have not all prospered. The company's market share in Mexico dipped 4 percentage points to 27 per cent in the third quarter of last year.

Government purchases of rival brands affected the figures. In the past, sales to state entities were a foundation of Acer's success.

"When you have 28-30 per cent of a market, the only thing you can do is grow at the rhythm of that market," says a mildly frustrated Mr Juan Manuel Rojas, Acer Computec chief executive.

There are strong barriers to penetrating the corporate market.

"If a multinational's global headquarters says its operations here have to buy a Hewlett-Packard, there is little we can do," he adds.

Mr Rojas is planning, however, to continue expansion throughout Latin America. For the region as a whole, the company has 11.5 per cent of the market. Mexico now accounts for only one-third of sales.

Following a recent agreement by Acer to buy Texas Instruments' laptop computer division, Acer Computec's market share in laptops is set to increase throughout Latin America.

Most of all, it is Brazil that interests the group. In January, Acer Computec agreed to buy ACBr, the Taiwan group's Brazilian assembler and distributor, for an estimated $25m-$30m. The transaction should be finalised by the end of this month.

Great hopes ride on the acquisition. Brazil accounts for 40 per cent of the Latin American market, yet Acer's market share there is only 4.4 per cent.

Formidable import barriers and the easy availability of cheap black-market components mean that most PCs sold in the country are clones – computers whose circuits are slapped together from various sources before they are sold, under no particular label.

The international computer manufacturers are also well established in Brazil.

Although Acer Computec is looking to South America, its position in Mexico will be hard to replicate.

In Mexico's department stores and computer shops, it is still Acer models that enjoy prids of place. Computers made by bigger manufacturers are relegated to the corner.

Daniel Dombey

Juan Manuel Rojas: planning to continue expansion

Salomon moves a top job to London

By Tracy Corrigan in New York

Salomon Brothers has appointed a new London-based chief economist, Mr Kermit "Kim" Schoenholz.

It is the first time that the senior research job at the US investment bank has not been based in New York.

Mr Schoenholz replaces Mr John Lipsky, who left to join Chase Manhattan in January as chief economist and director of research.

Mr Schoenholz, a former academic, joined Salomon to 1986 and has worked for the firm to New York, Tokyo and London.

The appointment highlights a growing trend emong US investment banks.

Once highly-centralised, they now run some of their global businesses ont of London, rather than New York.

This is particularly useful in jobs where it is important to talk to traders in London, Tokyo and New York.

London's position between the Japanese and US trading days facilitates such communication.

"Kim's experience in New York, London and Tokyo will provide tbe ideal perspective as our clients deal with the challenges of e dynamic economic and political environment," said Mr Deryck Menghan, cbairman and cbief executive officer at Salomon Brothers.

Salomon's global bead of its important proprietary trading business, Mr Shigeru Myojin, is already based in London.

At Goldman Sachs, two senior research posts – those of chief international economist and chief currency economist – are beld by Mr Gavyn Davies and Mr Jim O'Neill, respectively, both of whom are based in London.

J. P. Morgan has two global business beads in London – bead of credit and head of equity derivatives.

"In today's global markets, we find it just as easy to head groups from London as from New York," J. P. Morgan said.

As bead of global economic and market analysis, Mr Scboenholz will be responsible for directing Salomon's team of economists based in New York, London, Tokyo and Hong Kong, the firm said.

As members of his team, Mr Robert DiClemente will assume responsibility for US economic research, while Mr Robert Feldman will continue as bead of Japanese economic research and Mr Desmond Lachman will run global emerging markets research out of New York.

US-led group eyes stake in Cableuropa

By Raymond Snoddy

A group of US companies brought together by Callaghan Associates International is negotiating to buy e 30 per cent stake in Cableuropa, the large Spanish cable and telecommunications group.

Cableurope bas shares in cable companies with provisional licences in areas such as Barcelona, Santander, Seville, Majorca and Valencia.

The company also intends to pursue e number of other cable licences about to be ewarded in Spain, all of which will require significant new capital.

The US-led consortium brings together GE Capital, US West, the regional telephone company, Bank of America and UBS, the Swiss banking group, in addition to Callaghan Associates.

Callaghan Associates is a new company founded by Mr Richard Callaghan, former president of US West International, to finance, develop and acquire communications and media companies.

The Cableuropa deal would be the company's first big move, althongh a number of other deals are believed to be under negotiation.

However, reports from Spain suggest that the consortium's attempt to win a 30 per cent stake in Cableuropa is being opposed by a group of local electricity companies – Endesa, Union Fenosa and Hidrocantabrico – which control 32.5 per cent of the capital.

The US consortium would, however, be in a position to help fund the large capital sums needed to construct cable networks across Spain.

Talks between Cableuropa and other potential partners beve not made much progress, it is believed.

Apart from the cost of constructing cable networks, bidders for cable licences have to submit a deposit of Pta1bn ($6.97m).

Spain is sesn as an increasingly important market for the new media, and one which is attracting participants from the rest of Europe and North America.

AMERICAS NEWS DIGEST

Western Resources amends ADT offer

Western Resources, the US power company, increased by 33 per cent the cash portion of its offer to acquire home security group ADT, but the total value of the offer remains $22.50 a share. Western Resources also said it could realise about $450m in net proceeds from the sale of ADT's car auction business after closing the acquisition. Western Resources, which is the largest shareholder in ADT, is pursuing a $2.8bn hostile takeover of ADT.

Although the cash portion of Western Resources' offer rose to $10 a share from $7.50 e share, ADT shareholders would now receive $12.50 in Western Resources common stock for each ADT share, rather than $15 a share in Western Resources stock under the previous offer.

Western Resources shares were $30⅞ in early trading, up $⅛ from Friday's close. *AP-DJ, Kansas*

Thomson names new chief

Thomson Corporation, the Canadian-controlled media and travel group, has named Mr Richard Harrington to take over as chief executive from long-serving Mr Michael Brown. The move coincides with a rearrangement of duties among various senior lieutenants of Mr Ken Thomson, whose family owns 72 per cent of Thomson Corp. Mr Thomson, son of the late Lord Thomson of Fleet, former proprietor of The Times, takes little active role in his companies' day-to-day operations.

Mr Brown, who has been chief executive since 1985 and turns 62 in May, was named deputy chairman of Thomson, succeeding Mr John Tory, 66, who is Mr Thomson's closest adviser. Mr Brown said he planned to devote about two days e week to Thomson business, but would take e more active interest in other Thomson-controlled companies, such as Hudson's Bay, Canada's biggest retailer, and Markborough Properties.

Mr Harrington, 50, will initially be chief operating officer, but is due to become president and chief executive by the beginning of 1998.

Thomson shares, which have risen strongly in the past year, gained 25 cents to C$28.40 in early trading in Toronto yesterday. *Bernard Simon, Toronto*

Read-Rite rejects bid

Read-Rite, e California manufacturer of computer disk drive components, yesterday said its board had unanimously rejected a hostile takeover bid from rival Applied Magnetics. Remaining an independent company offered the best opportunity for Read-Rite shareholders, employees and customers, said Mr Cyril Yansouni, chairman and chief executive.

Since the stock-swap bid was launched a week ago, shares of Applied Magnetics have fallen sharply, from a pre-bid price of $55¼ to a low of $37½ on Friday, reducing the value of the proposed deal by about 30 per cent to about $1.26bn. However, they picked up yesterday, gaining $3¼ to trade at $41¾ in mid session. Read-Rite was up $1/16 at $31⅝. *Lousie Kehoe, San Francisco*

Tenneco plans buy-back

Tenneco, the US packaging and automotive parts group, said it would repurchase about 5 per cent of its outstanding shares in a buy-back programme valued at $340m at today's market prices. The company said it would repurchase up to 8.5m shares. Tenneco is in the midst of five-year restructuring, and has already been aggressively repurchasing its shares. In 1995 and 1996, Tenneco repurchased about $750m of its stock. *Laurie Morse, Chicago*

Celulosa Arauco disappoints

Celulosa Arauco, the wholly-owned forestry subsidiary of Copec, Chile's biggest private company, posted disappointing end-year results on Monday, with net earnings of 41bn pesos ($99m), down by 70 per cent on last year's 137bn pesos. Revenues were also down sharply, by 35 per cent, to 179bn pesos from 274bn pesos.

Earnings were some 10 per cent lower than expected. This was after factoring in the effect on the year-on-year results of the drop in international wood pulp prices, CelArauco's main product. In 1995, prices were unusually high, everaging $810 e tonne over the year. During 1996, by contrast, the price was almost half that, closer to $455 a tonne. The company produced 898,000 tonnes of pulp in 1995. Late last year it paid $270m for Alta Parana, e pulp plant and forestry interest in Argentina, which increased its installed capacity to about 1.1m tonnes. *Imogen Mark, Santiago*

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Banking with a popular touch

Brazil's Banco Excel invests in football and carnival to attract potential clients

Laughing all the way to the bank: Banco Excel Econômico's Ezequiel Nasser and singer Daniela Mercury enjoy carnival

Football and carnival are the secret to success in Brazilian banking, believes Mr Ezequiel Nasser, chairman of Banco Excel Econômico and a scion of the Safra banking dynasty.

Last May Banco Excel, Mr Nasser's modest wholesale bank, acquired Banco Econômico, a large retail bank that had been temporarily shut by the authorities because of a R$3.5bn (US$2.04bn) hole in its balance sheet.

To restore the reputation of Latin America's oldest bank and to turn it into one of the top five financial institutions in the country, Mr Nasser has begun to invest heavily in the two most popular activities in Brazil.

Behind this high-profile plan is a race between Brazil's banks to sign up the millions of new clients that the country's economic reforms have delivered to the financial services market.

The focal point of Mr Nasser's strategy is Corinthians football club. Excel Econômico will spend more than R$30m over the next two years on the São Paulo team, which has an estimated 18m fans, the second-largest supporter base in Brazil.

Some of this money has bought star players such as Túlio, one of the country's best-known strikers. The bank's name is emblazoned on the team's shirts at a cost of about R$13m.

However, there is more to this than just sponsorship. In televised matches, during half-time, players such as Túlio and midfielder Marcelinho appear in commercials urging fans to place their deposits with Excel. Off the field, the players are salesmen for the bank.

Mr Nasser displayed the same popular touch during Brazil's carnival holiday earlier this month. While Carlinhos Brown, a pop singer, was appearing in its TV adverts, the bank was spending about R$350,000 sponsoring the private box of Daniela Mercury, another well-known singer, at carnival in Salvador, the north-eastern city whosa week-long party rivals the more notorious Rio de Janeiro.

This advertising blitz has a target. Government economic reforms, which have turned near-hyperinflation into single-digit inflation, have given a one-off boost to millions of lower income Brazilians. Mr Nasser estimates that 30m people are for the first time in a position to open a bank account. Even if the real figure is only half that, there is a vast suppressed demand for banking services.

"What better way of creating a strong bank than using a popular sport like football and the most popular team in São Paulo?" Mr Nasser asks.

He faces an uphill task, though. Econômico's problems last year led to a fall in the number of current account holders from 700,000 to 120,000. Profits in 1996 were just R$23m and the return on equity a meagre 4.4 per cent. Fifty branches have been closed and 3,700 of 9,500 staff made redundant. Mr Nasser says the new bank has 900,000 customers and is aiming for 3m-5m.

Excel Econômico is offering a range of incentives to attract customers, such as a 12-day grace period from interest on overdrafts. It is about to set up a joint venture with an international insurance company to sell insurance products in Brazil.

"Banks should be conservative about taking care of people's money," says Mr Nasser. "In all other matters they should be innovative and aggressive."

His eagerness to expand quickly is a reflection of the polarisation in the Brazilian banking industry. Banks have been deprived of the easy profits they made in conditions of high inflation, which has exposed the weakness of many – the old Econômico included. The result has been a flight of customers to stronger and larger private banks, such as Bradesco and Itaú.

The Syrian-born Mr Nasser is a member of a family used to taking a gamble. In 1966 he started working for his uncle, Mr Edmond Safra, when the latter set up Republic National Bank of New York. He moved to São Paulo and worked for another uncle, Joseph, at Banco Safra, now one of Brazil's largest banks. He left to set up Excel in 1990.

Once the subject of a central bank investigation, he does not lack detractors.

Some say his bank will struggle to attract the institutional and corporate funds needed to secure its finances. Others believe the bank's new customers could be poor credit-risks. At the very least, it will be an entertaining experiment in populist banking.

Geoff Dyer

PepsiCo secures $8m Argentine soccer deal

By Jimmy Burns

PepsiCo, the US soft drinks and snacks company, is limbering up for another potentially bruising cola war after clinching the first commercial contract to sponsor the Argentine football league championship.

Under a $8m, two-year deal reached with the Argentine Football Association, PepsiCo will have exclusive sponsorship of the championship – to he called "Torneo Pepsi" – together with a package of TV and promotional rigbts during coverage of important matches.

Details of tbe deal emerged yesterday as PepsiCo separately announced a worldwide sponsorship deal witb the Mexican international "superstar" goalkeeper, Jorge Campos.

The contract with one of the world's leading football nations gives PepsiCo a strategic foothold in its battle witb Coca Cola, which anjoys a greater market share in the region.

Coca Cola is the leading soft drinks supplier to several of the biggest football stadia in Argentina and currently sponsors the national team.

PepsiCo's negotiations in Argentina have been conducted through the local football authorities' commercial agent, the IMG group of US sports entrepreneur Mr Mark McCormack.

IMG has modelled tbe PepsiCo contract on a similar sponsorship deal that it helped to negotiate between Carling and the football authorities in England.

"I think that in Latin American terms this is a coup for Pepsi," Mr Paul Smith, a senior IMG executive, said yesterday.

The company has struggled in Argentina recently because of the financial difficulties of its local bottling company, Buenos Aires Embotelladora.

Last November, Pepsi moved to strengthen its Latin American operations by forming an alliance with Venezuela's largest food and drinks gronp, Empresas Polar.

That deal came three months after Pepsi's long-time bottler, the Cisceneros group, defected to Coca-Cola, threatening ona of the few markets where Pepsi had the edge on its competitor.

The latest round of the cola war has been fuelled by the Argentina football authorities' determination to attract significant foreign sponsorship to the national game as a way of boosting revenue to spend on developing and keeping local talent.

The quality of the Argentine championship has been undermined in recent years because of the defection of many leading players to clubs in Europe.

However, it continoes to command large television audiences, both locally and elsewhere in Latin America.

Avenor revises bid for Repap Enterprises

By Robert Gibbens in Montreal

Avenor, one of North America's leadiog forest products groups, yesterday bowed to pressure from shareholders by radically revising the bid it made last December for Repap Enterprises, a big timber, pulp and coated paper producer.

Avenor's original share-exchange bid was worth abont C$3.2bn (US$2.34bn), including assumption of C$2.5bn in Repap debt. The bid has oow been reduced by almost C$1bn, analysts initially estimated, making it more palatahle to Avenor shareholders.

Avenor had offered one of its own shares for every 4.25 Repap shares, and will assume Repap debl and issue C$215m in new Avenor shares and convertible debentures. It planned to hive off all the combined company's British Columbia assets into a new unit to be taken public or sold.

Mr Paul Gagne, president, said Avenor wanted to balance its heavy reliance on newsprint with higher-margin coated papers that are used in magazines and other publications.

But institutional shareholders complained that Avenor was assuming too much debt, risking excessiva dilution through the equity and debenture issues and over-valued Repap's British Columbia timber and pulp operations.

Yesterday, Avenor said it would:

- Amend the offer to one share of Avenor for every eight of Repap.
- Exclnde Repap's BC operations carrying C$620m liabilities from the bid.
- Drop the C$215m equity and debenture issues.
- Seek approval of shareholders on March 26, instead of March 12.

"These changes will allow Avenor to focus more rapidly on coated papers with higher margins and less volatile pricing," Mr Gagne said. "It will reduce the debt level and share dilution." In effect, he said, the banks would own Repap's BC operations.

Mr George Petty, founder and 23 per cent owner of Repap, has accepted the new terms, which value Repap shares at about C$3 each against C$5 originally.

Profits fall spurs Aga shake-up

By Hugh Carnegy in Stockholm

Aga, the Swedish industrial gas supplier, yesterday reported a 17 per cent fall in profits before capital gains and announced extensive restructuring moves to cut costs and improve earnings.

Pre-tax profits rose from SKr2.7bn to SKr3.5bn ($467m) thanks to a SKr1.8bn one-time gain from non-core asset sales.

But profits after regular financial items tumbled from SKr2.1bn to SKr1.75bn because of weak markets in Europe and Latin America and negative currency swings.

Net earnings per share rose from SKr3.71 to SKr11.68 – but when capital gains were stripped out fell from SKr6.31 to SKr5.11.

The world's fifth largest industrial gas group had warned that profits would be down some 15 per cent and its most-traded B share closed unchanged yesterday at SKr107.50.

Mr Lennart Selander, who took over as chief executive at the beginning of the year, was not satisfied with the 1996 result. "We continued to increase our market shares, but the sales trend was weak and could not compensate for a substantial rise in costs," he said.

Group sales fell from SKr13.3bn to SKr12.9bn.

The new chief executive said he was scrapping Aga's geographically-oriented structure, with research and development and marketing support centralised.

Instead, operations would be based in three core divisions, supplying the manufacturing industry, the process industry and the health care industry respectively. Each would have responsibility for R&D and marketing in its own area.

Aga intends to cut staff at its 377-strong headquarters as part of the reorganisation. This would entail a charge of SKr100m in the first quarter of this year, but would yield savings of SKr260m in 1998, Mr Selander said.

He was aiming for a 15 per cent operating profit margin in 1999, compared with 12.2 per cent in 1996; and a return on equity of 15 per cent, with an annual increase in earnings per share.

Mr Selander said Aga's investment in new plant and equipment, which totalled SKr3.9bn last year, would enhance earnings in the longer term.

Sales grew 3 per cent last year, excluding currency effects. Mr Selander said an improvement this year would depend heavily on economic developments in Europe.

Newtelco names chief executive

By William Hall in Zurich

Mr Hans Ivanovitch, 44, British Telecommunications' general manager for central Europe, has been appointed chief executive of Newtelco, the first main challenger to the monopoly of Swiss Telecom.

Newtelco, whose international partners are BT and Tele Danmark, hopes to capture 15 per cent of the SFr10bn ($6.8bn) Swiss domestic market after Switzerland liberalises its telecommunications sector next year, according to Mr Alfred Mockett, managing director of BT's global communications division.

Newtelco, founded by Swiss Federal Railways (SBB), Union Bank of Switzerland, and the Migros supermarket chain, aims to achieve turnover of SFr1bn and employ 1,000 staff within five years. A total of SFr500m will be invested in the first phase, but much of this will be contributions in kind. The company plans to to float on the Swiss stock exchange eventually.

(From left) Benedikt Weibel of SBB, Josef Egger of Newtelco and Hans Wuertzen of Tele Danmark yesterday Reuter

Block on chief adds to Bezeq troubles

By Judy Dempsey in Jerusalem

Bezeq, Israel's state-owned telecommunications network, yesterday suffered another setback after an independent watchdog held up the appointment of Mr Yoram Turbowicz as managing director.

The committee, set up to examine possible conflicts of interest for civil servants, said Mr Turbowicz might have to wait a year before taking up his post.

"The decision could not have come at a worse time for Bezeq," said an analyst involved in the company's privatisation strategy.

He continued: "The company needs strong leadership. Its relations with the government are strained and it faces strong competition from international carriers who enter the Israeli market later this year."

Bezeq is also concerned that the hold-up threatens the success of a $200m Yankee bond issue, scheduled for May, and its chances of securing a credit rating from Standard & Poor's before the issue.

The delay also leaves unclear whether Bezeq will press ahead this year with an international share offering. Last month, the government said it would tap the bouyant domestic market instead.

In addition, the group is still in dispute with Cable and Wireless, the UK telecoms company which holds a 10 per cent stake in Bezeq. C & W wanted to acquire a further 10 per cent, but the government last month unexpectedly introduced legislation preventing any investor from acquiring stakes of more than 5 per cent without its approval.

Bezeq, one of Israel's most successful companies, has also clashed with the government over dividend policy.

On Friday, just as Bezeq was about to publish its 1996 results, the government said it opposed Bezeq's plan to take a 10 per cent bonus for employees as a charge against its 1996 accounts.

The government insisted on a lower bonus, paid by the parent company. Bezeq says the government, which holds a 76 per cent stake, was protecting its dividend, which is set at 55 per cent of net income.

For the first nine months of last year, Bezeq revenues rose 3.8 per cent, from Shk5.76bn to Shk5.98bn ($1.79bn). Net income rose 3.2 per cent, from Shk440m to Shk454m.

Spanish tobacco group falls 4%

By David White in Madrid

Tabacalera, Spain's state-owned tobacco group, suffered a 4 per cent fall in attributable net profit last year to Pta13.46bn ($93.5m) as extra government taxes hit cigarette sales.

Operating profits plunged 30 per cent to Pta12.65bn, compared with Pta18.11bn the year before.

Cigarette sales by volume were 4.4 per cent down, with gains in upmarket brands but lower sales of middle-range products, and a sharp drop in cheaper dark-tobacco cigarettes.

The company said the tax rises, imposed in the summer to patch up a shortfall in government budget figures, had prevented the usual build-up of stocks at the end of the year.

However, it said there were reasonable prospects for a recovery in sales this year on the basis of the trend in the first two months.

Gross turnover for the group last year was up 5 per cent at Pta817.72. However, the net figure, after taxes and tobacconists' commissions, showed a 1.6 per cent decline, to Pta229.08bn.

● Corporación Mapfre, the listed holding unit of Spain's leading insurance group, said attributable net profit rose 6.5 per cent last year to Pta10.2bn after losses in its foreign operations.

Before taxes and minorities, consolidated profits were slightly down, from Pta17.9bn to Pta17.8bn, after a 25 per cent reduction in extraordinary gains to Pta3.9bn, according to preliminary figures.

Direct insurance operations abroad, mainly in Latin America, showed a Pta328m loss, after profits of Pta1.54bn in 1995. This contrasted sharply with a rise of almost 21 per cent in earnings from the group's main Spanish insurance operations, to Pta10.3bn.

EUROPEAN NEWS DIGEST

WestLB boosted by commissions

Westdeutsche Landesbank, Germany's biggest public sector bank, yesterday reported a provisional 5.1 per cent rise in operating profits before risk provisions, to DM1.802bn ($1.07bn). The operating profit including risk provisions rose 7.6 per cent to DM1.088bn.

Mr Friedel Neuber, chairman, said favourable market conditions had boosted net commission and trading income in 1996. WestLB's foreign investments, notably its acquisition last year of Panmure Gordon, a UK brokerage house, had started to pay off and helped lift net commission income 22.8 per cent to DM709m. Trading income rose 58.5 per cent to DM455m. Helpful conditions in the money and capital markets lifted net interest income by 5.9 per cent to DM3.64bn. An unchanged dividend of 6 per cent of core capital will be paid.

Frederick Stüdemann, Frankfurt

Index to acquire Traub

Index, a privately owned German machine tool company, is to take over Traub, another large German tool maker. The two companies announced the deal yesterday. The combined company will have annual sales of about DM700m ($415m), making it the fourth biggest maker of machine tools in Germany.

Traub has incurred losses for five consecutive years, with bank debts of up to DM250m, and announced last year that it was putting itself up for sale or seeking a business partner. The company has suffered from weak demand among European engineering companies, as well as high labour costs at its main manufacturing site near Stuttgart. Index, also based near Stuttgart, has been talking to its near neighbour for several weeks about the possibility of a deal.

Peter Marsh

Weaker franc lifts EMS

A weaker Swiss franc helped EMS Group, the Swiss speciality chemicals company which exports more than 90 per cent of output, to increase net income 12.2 per cent in 1996 to SFr229m ($155.25). Total sales rose 2.3 per cent to SFr945m and return on equity rose to 24.1 per cent. Sales of performance polymers, which accounted for more than three-quarters of the total, rose 3.5 per cent; fine chemicals sales climbed 12.2 per cent to SFr137m. These two divisions increased their profits, but earnings at EMS-Inventa, an engineering company whose fortunes are tied to the textile industry, fell sharply.

Meanwhile, Pharma Vision, a SFr5.2bn Swiss investment fund chaired by Mr Christoph Blocher, chairman of EMS, has reshuffled its investment portfolio. Its 15.6 per cent stake in Roche bearer shares still accounts for 93.1 per cent of the total. However, a 0.5 per cent stake in Hoechst, the Swiss chemicals company, has dislodged the UK's Glaxo Wellcome as the second-biggest of the fund's four investments.

William Hall, Zurich

Viag arm resumes dividend

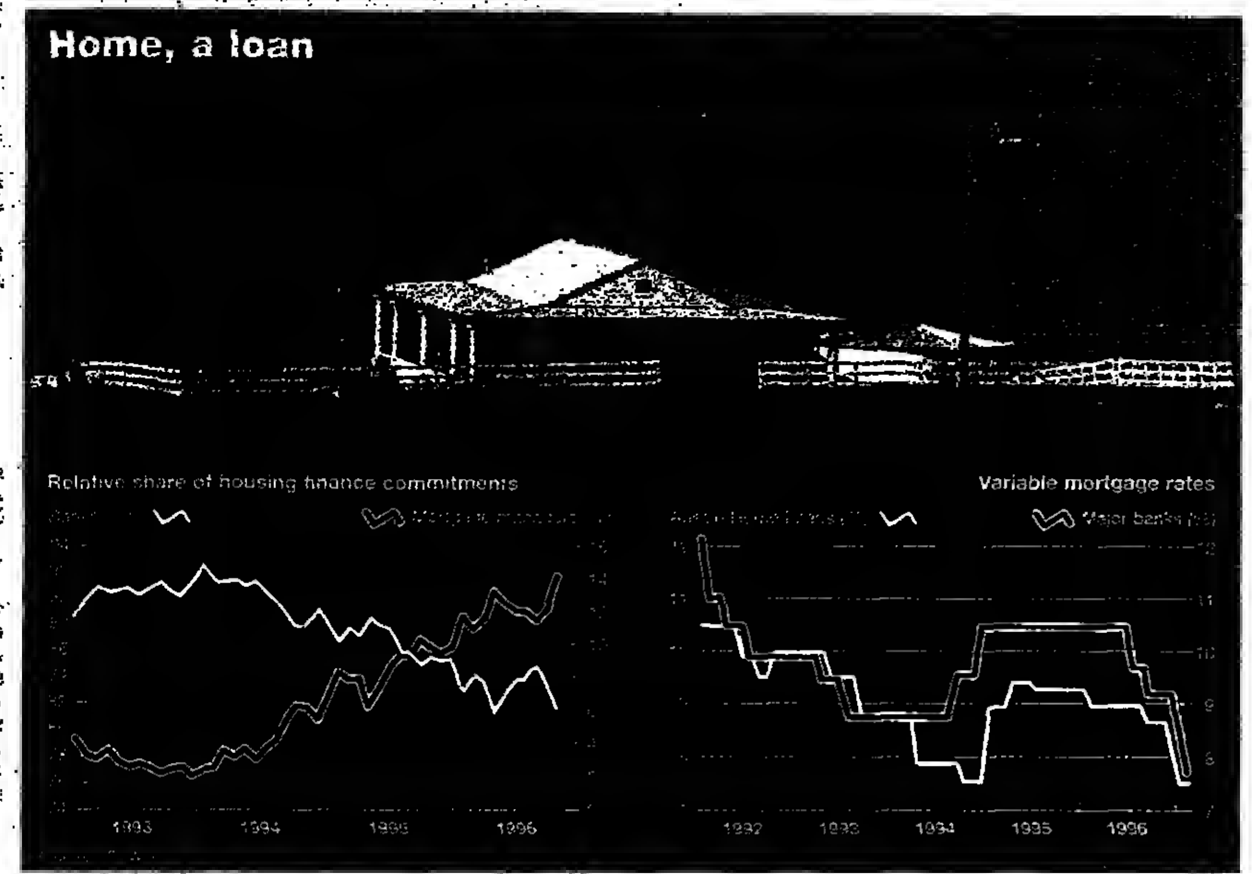
The German packaging concern Schmalbach-Lubeca, a majority-owned subsidiary of the diversified utility Viag, said yesterday it would resume payment of a DM5 a share dividend for 1996. It last paid a DM5 dividend for 1994. The move follows a return to net profits – of DM51m ($30.2m) – in 1996. For 1997, Schmalbach-Lubeca expects group sales of about DM4bn, in line with 1996 revenues.

AP-DJ, Ratingen, Germany

COMPANIES AND FINANCE: ASIA-PACIFIC

Test for Aussie Home Loans

The non-bank lender's struggle with the big Australian banks for the country's mortgage market has entered a new phase



John Symond, managing director of Aussie Home Loans, likes to portray himself as the David of the Australian mortgage market who took on the Goliath of the big banks and won.

He sees himself as a man of the people who has brought cheap mortgages to the public in defiance of large banks, which he accuses of ripping-off their customers. Now, however, the price war has entered a new phase and the banks are fighting back hard.

Following mortgage rate cuts by Commonwealth Bank last month, the big banks have brought their variable mortgage rate down to 7.55 per cent, where it matches closely the rate charged by Aussie Home Loans and other non-bank lenders who have made inroads into the mortgage market by lending cheap and securitising their portfolios.

Analysts believe the loss of their price advantage means non-bank lenders will struggle to maintain their market share of about 14 per cent of new lending.

"About half of the business written by non-bank lenders was refinancing of existing mortgages," says Mr Patrick Eng, of Moody's Investor Services. "That share is shrinking."

But Mr Symond is defiant. There is little room for non-banks to cut their rates further in response to the banks' move – only about 25 basis points, he says. "But if we just did home loans and relied on price differentials, then we were always going to fail. That is why we are working on other products and using our economies of scale to market those products."

Mr Symond has been praised by Mr Peter Costello, Australia's federal government treasurer, for undercutting banks on small business loans, and cultivates his image as a champion of the consumer. "It'll be a task for us to see how much loyalty we've got," he says.

The big banks, however, appear to be in for the long haul. Even though the margin on mortgage lending has halved to around 150 basis points over the past couple of years, most say the business is still profitable. Moreover, they are increasingly moving to end the practice of using mortgages to cross-subsidise other services.

Mr Greg Conway, head of mortgage operations at National Australia Bank, says: "We own and control our own distribution channel, and we have also initiated strategies to source production through third channels."

A sign that the banks are happy with their return on mortgage portfolios is that, with the exception of Westpac, they have not moved into securitisation. Banks have excess capital, says Mr Eng, and mortgages are a good way of using it.

But all the large banks have now structured their mortgage portfolios to enable them to securitise if they wish. Securitisation means taking mortgages off the balance sheet and refinancing them through the bond market. The banks benefit from fee income for managing the portfolio without employing any capital on actual lending, so their overall returns rise.

Westpac admits that its move into securitisation reflects a desire to boost its return on capital, which at 14.6 per cent is lower than that of other banks.

Meanwhile, Aussie Home Loans' foray into small business loans secured against residential housing is pushing it into riskier territory, according to analysts.

Though Mr Symond says borrowers will be scrutinised and the loans fully insured against both capital and interest default, he risks damaging his reputation if small business failures lead to repossessions.

But the move drew attention to the good deals offered by Aussie Home Loans and sparked renewed interest in residential mortgages, says Mr Anthony Gill, managing director of Puma Management, the vehicle through which Aussie mortgages are refinanced.

Mr Gill says Puma still expects non-bank lenders to have a 40 per cent share of the mortgage market by the turn of the century.

That points to a bruising battle ahead. But even if the banks do fight Mr Symond off, there is little chance of a return to mortgage margins above 3 percentage points.

Peter Montagnon

ASIA-PACIFIC NEWS DIGEST

First Pacific advances 32%

First Pacific, the Hong Kong-based conglomerate controlled by the Salim group of Indonesia, reported a 32 per cent rise in operating profits last year to US$448.5m. It said the telecoms division's contribution to group profit before exceptionals rose 40 per cent to $63.8m, with sales up 20 per cent at $391m. The total number of subscribers rose 75 per cent to about 630,000.

The property division saw profits before exceptionals climb 25 per cent to $35.5m, on sales up 42 per cent to $268m. The group reported an exceptional loss of $15.8m caused by reorganisation costs and provisions for investments. "By any measure, 1996 was a year of significant achievement for us," said Mr Manuel Pangilinan, group managing director.

AFX-Asia, Hong Kong

MBO at Eureka Tiles

The management of Eureka Tiles, the Australian tile maker owned by BTR, the UK-based conglomerate, is launching a buy-out, a type of deal rarely used in Australia. The managers have backing from Catalyst, the management buy-out fund, and ANZ Bank. No figure was disclosed for the value of the deal, but it is thought to be worth tens of millions of Australian dollars. Eureka, which is based in Ballarat, Victoria, and was established in 1910, has annual sales in excess of A$20m (US$15.5m).

Catalyst, which is based in Sydney and one of only a handful of management buy-out specialists in Australia, will hold a majority stake, with six Eureka executives also investing. There is also a tranche of subordinated loan funding, as well as senior debt. Mr Trevor Dixon, Eureka managing director, who proposed the deal to BTR, said Catalyst would probably seek an exit within the next six years.

Nikki Tait, Sydney

Losses cut at Harbour Casino

Sydney Harbour Casino, the gaming property which Mr Kerry Packer, the Australian businessman, is seeking to control, yesterday announced a A$4.82m (US$3.7m) loss after tax for the 18 months to end-December. This compares with a A$52.2m loss in the 12 months to the end of June 1995. Sales revenue was A$495.2m.

The result was struck after a A$105.9m abnormal charge, compared with a A$51.2m charge in the previous period, which reflects pre-opening expenses of the casino's new permanent facility, plus associated rental and interest costs. SHC is still operating from "temporary" premises while its A$870m permanent facility, close to Sydney's harbour bridge, is completed. The company said this was on target to open in December. The Sydney casino got off to a bumpy start in 1995, which it attributed to competition in Australia's increasingly crowded casino market.

Last month, Mr Packer's listed Publishing and Broadcasting group announced it had agreed to acquire about 55m shares, or 10 per cent, of SHC from the US-based Showboat group, with options over a similar amount. It also said it was buying the management contract for 85 per cent of the property. The deal is worth A$342m in total.

Nikki Tait

Crédit Lyonnais in fund deal

Prudential Corp, the UK insurer, said it had appointed Crédit Lyonnais Securities Asia to manage up to $1bn for direct investments in China, India and Vietnam. Initial funding for the Prudential Invest Direct Asia (Pida) Fund will be $150m and the investments will be sourced, structured and monitored by Crédit Lyonnais. Pida has been set up to invest in emerging markets where opportunities for portfolio investment are limited by the lack of a fully developed capital market.

Jeremy Grant, Hanoi

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 04.03.97: Pool purchase price £/MWh	Final Prices for Trading on 01.03.97: Pool purchase price £/MWh	Pool selling price £/MWh
0030	20.74	17.57	19.24
0100	20.74	17.57	19.24
0130	20.74	18.82	20.28
0200	20.74	18.82	20.28
0230	20.74	25.61	27.49
0300	20.74	48.12	50.78
0330	20.74	48.12	50.78
0400	20.74	48.12	50.79
0430	20.74	17.57	19.24
0500	20.74	26.88	28.57
0530	11.89	26.74	28.42
0600	11.89	13.00	13.00
0630	17.91	24.46	26.14
0700	19.89	24.46	26.14
0730	23.01	26.56	28.24
0800	23.01	45.88	47.56
0830	25.21	32.56	34.24
0900	37.35	32.57	34.25
0930	38.18	33.03	34.73
1000	38.18	33.08	34.80
1030	38.18	33.26	35.01
1100	25.21	33.74	35.53
1130	37.35	33.96	35.82
1200	37.35	47.60	48.52
1230	38.21	48.60	51.82
1300	25.21	48.45	51.33
1330	23.17	48.29	51.11
1400	23.04	33.75	35.58
1430	23.17	46.14	47.91
1500	23.17	44.10	47.85
1530	23.04	33.62	35.37
1600	23.17	33.67	35.42
1630	24.75	34.18	36.12
1700	30.09	53.31	57.53
1730	33.75	73.15	79.84
1800	33.92	88.72	96.50
1830	58.67	84.29	89.87
1900	58.82	54.10	57.37
1930	38.45	47.35	49.53
2000	33.98	33.63	35.38
2030	33.85	33.02	34.71
2100	33.84	32.58	34.24
2130	30.04	45.98	47.58
2200	23.83	31.93	33.60
2230	22.71	32.58	34.23
2300	22.71	13.00	13.00
2330	22.71	13.00	13.00
2400	11.89	11.87	11.97

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. [illegible] Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. [illegible] Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. [illegible]
©Energy Settlements and Information Services Limited

Big groups face Pallas costs

By Andrew Jack in Paris

A number of leading French companies may be required to make good substantial debts incurred by Comipar, a holding company, and Pallas Stern, its banking subsidiary, which were liquidated last Friday.

Elf and Schneider were among the businesses which in the past held direct or indirect stakes and board seats at Banque Pallas Stern, and may be involved in time-consuming litigation after a court decision at the end of last week.

They face being forced to share the costs of covering debts which run to more than FFr8bn ($1.4bn) at Comipar, after an almost unprecedented decision by the Paris commercial court to allow a bank to fail.

Judge Jean-Pierre Mattéi ruled unexpectedly that Pallas Stern and its parent company would be liquidated.

This was in spite of rival offers for its continued operation from Maaf, the insurance mutual, and from a group of investors led by Mr Edouard Stern, a banker with Lazard in Paris.

Shareholders may be hurt because of a long-established practice in French banking law by which shareholders can be "invited" by the governor of the Bank of France to recapitalise a financial institution that is in danger of becoming insolvent.

The decision of the commercial court came after Pallas Stern had been placed in administration in summer 1995 in the wake of financial difficulties.

Shareholders – notably Elf – had refused to inject additional capital to enable the bank to continue operating.

Mr Philippe Jaffré, the chairman of Elf, had decided to refuse the "invitation" from the governor of the Bank of France to recapitalise.

His decision was a landmark in the recent evolution of French capitalism, with Elf arguing that it had no responsibility as an industrial group to support a bank, and the Bank of France unable to force it to do so. The refusal has led to considerable debate about the possibility of modifying the country's banking laws, as well as a change to France's depositor protection scheme, making it more generous and comprehensive under an agreement last week.

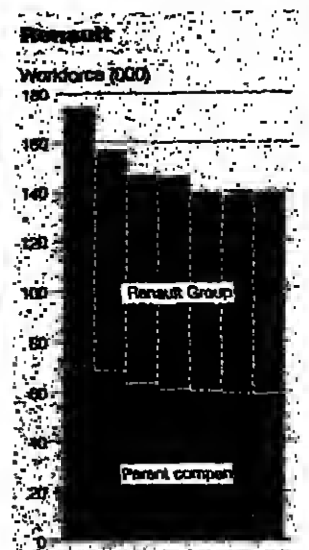
However, Elf and other shareholders may now be forced to make a contribution to shore up Comipar's debts.

Mr Gérard Eskenazi, head of Pallas Stern, and a number of other former executives have been placed under formal investigation by French magistrates following the beginning of a judicial inquiry in February last year.

Renault at staging post on long route

The Belgian closure sent a signal to investors but profit is some way off, writes **David Owen**

Louis Schweitzer: decision may be turning-point



Louis Schweitzer may be public enemy number one in Belgium. But there is little doubt the Renault chairman's decision last week to announce the closure of the French carmaker's Belgian assembly plant will have made him more popular with institutional investors.

It appeared for much of last year that it would take the intervention of one of the company's heavy Mack trucks to lift its shares out of the depressed range into which they had fallen.

Yet they responded instantly to last week's developments – rising more than 20 per cent in three days to FFr146.90.

But is this sudden burst of macho management on Mr Schweitzer's part – accompanied by a reconfiguration of the company's other European plants – enough to put it on a firmer footing, or will it be simply the first step in a more drastic reorganisation? And will the shares' new-found buoyancy still be in evidence on March 20, when the company is expected to unveil the full extent of 1996 losses, now estimated at about FFr5bn ($880m)? Already yesterday, the had given up some of last week's gains, closing down FFr6.90, or 4.7 per cent, on the Paris stock market at FFr140.

Analysts have warned that the market's reaction is overdone. They doubt that the closure of a plant accounting for less than 10 per cent of the company's passenger car output can by itself trigger a durable improvement.

They compare the FFr850m annual savings the group expects to secure as a result of the reorganisation with an expected 1996 operating loss of FFr5bn in the car division alone.

"Does this mean Renault will make money in 1997? Of course not," says Mr Christopher Will, an analyst with Lehman Brothers. "The fundamental problem remains that three of Europe's six volume carmakers were last year in loss and there is no evidence that prices are going anywhere other than downwards."

Ms Sabine Blümel, analyst at IMI Sigeco in London, says she would have preferred the reorganisation to have come three years ago. "They need to cut costs faster than they are having to cut prices."

The Belgian closure – and subsequent suggestions, not confirmed by the company, that this year's social plan in France will contain proposals for 3,000 job cuts, up from 1,600 in 1996 – follow a period when the labour force has stabilised at just below 140,000, after sharp reductions in the late 1980s and early 1990s.

Output in 1995, meanwhile, was almost identical to 1991's at 1.84m cars, trucks and commercial vehicles.

Two other factors help to put the performance of Renault – and, to a lesser degree, of rival Peugeot-Citroën, where first-half profits were 50 per cent down from year-ago levels – in context.

First, government purchase incentives meant 1996 was a very strong year for new car registrations in France, where the two domestic groups retain well over 50 per cent of the market. This year, by contrast, analysts expect a fall in registrations of 10 per cent; January and February figures were down 33 per cent and 25 per cent, respectively. And, analysts add, there is little to suggest an improvement in prices in prospect. Market conditions in Renault's home market, in other words, look set if anything to get tougher.

Second, 1996 was also a good year for the big French car parts makers – despite the problems of their customers. Profits at Bertrand Faure, the car seat maker, tripled; at Valeo, they were up a fifth, with operating income ahead 36 per cent. Even Michelin, Europe's biggest tyre maker, is expected to produce profits about level with 1995, despite provisions for job cuts.

Analysts say this discrepancy between the performance of French carmakers and parts suppliers is principally because the latter have internationalised more successfully. "Michelin and Valeo are global companies; Renault and Peugeot are not," says Mr Will. "Valeo was the one component company which decided early on there was an opportunity if they became both pan-European and global. Valeo's growth is because they are able to undercut the domestic competition everywhere."

It seems likely, then, that last week's announcement is the start of a long haul for Renault in which further productivity improvements – and perhaps radical surgery – will be needed en route to a possible return to profit in 1998.

February 1997 may, meanwhile, go down as a turning-point in one other important respect – particularly in view of the government's rejection, a day before the Belgian plant was condemned, of calls from Renault and Peugeot to help fund plans to cut thousands of jobs and reduce the average age of employees through early retirement.

It may be seen as the month when it became clear that Renault – in which the French state retains a 47 per cent stake after selling its majority interest last year – would in future be managed much like other private companies. That certainly seemed to be the conclusion of the unions. "Renault has chosen the stock market over jobs," said the pro-Communist CGT.

Santander proposes 3-for-1 share split

By Tom Burns in Madrid

Banco Santander, Spain's leading banking group, said yesterday it planned to reduce the nominal value of its shares from Pta750 to Pta250, tripling the number that it trades on Madrid's Bolsa to 479m. The move is designed to favour small investors.

The 3-for-1 share split, which will be proposed by chairman Mr Emilio Botín at Santander's annual general meeting on March 22, is the first undertaken by a big domestic bank. The strategy could be imitated by rival institution Banco Bilbao Vizcaya.

The split does not vary Santander's subscribed capital, which remains unchanged at Pta119.8bn. But it does reflect concern at the bank over the high trading price of its shares and an eagerness to take advantage of a strong appetite among small investors for Bolsa equity.

Santander's share price rose 54.2 per cent between the start of September and the end of February, and is now trading at around Pta9,700. Analysts say the share could encounter a psychological resistance level at Pta10,000 which might slow a further climb in value.

BBV chairman Mr Emilio Ybarra told the bank's shareholders last month that he would consider a two-for-one share split, halving the Pta575 nominal value, if the bank's stock rose to Pta10,000. BBV shares, which have also risen steeply over the past six months, are trading at around Pta8,450.

By reducing the trading value of its stock to below Pta3,300, Santander is hoping to take advantage of the Bolsa rally by making its equity appealing to small investors.

Growing domestic interest in equity investments was revealed by the privatisation of Telefónica last month. The retail tranche of the telecoms issue was more than nine times oversubscribed and Telefónica doubled its number of shareholders to more than 1.3m.

Santander is one of the Bolsa's blue-chip stocks and its dividends have grown at a compound average rate of 15.56 per cent over the past 10 years.

Analysts said the effect of the split on the value of the bank's shares was likely to be neutral over the short term.

Bolsa to try on Domínguez

By Tom Burns

Twenty years ago, Mr Adolfo Domínguez revolutionised Spain's conservative dress sense. Now he may be about to change traditional business on Madrid's stock exchange, through a placement of 70 per cent of his design and retail company.

The subscription period opens today for the initial public offering of Adolfo Domínguez SA, which controls 72 stores, including outlets in London and Paris. Analysts say it will fully test the domestic market's capacity to absorb issues in new sectors.

Bracketed with Jill Sanders in the US and Giorgio Armani in Italy, Mr Domínguez has come a long way since his early collections of casual menswear proclaimed "the wrinkle is beautiful".

For those who associate the Spanish designer with a genius for subtle fabrics, soft colours and simple lines, it comes as a surprise to hear him talk like a hardened merchant banker.

When his two brothers and his sister decided to disinvest from the family business, he persuaded them to reject overtures from Luis Vuitton, the French drinks and luxury goods group, and to place their stock on the market, so that he could continue to control the company with his 30 per cent stake.

Mr Domínguez considers Madrid's market too narrow, arguing that it should fire investor expectations by reflecting changed consumer trends. His perceptions are backed by Banco Central Hispano, the big domestic bank which will co-ordinate the issue, and by Schroders and Robert Fleming of the UK, which will help place 40 per cent of the offer with international institutions.

"There are not enough stocks traded on the Bolsa," Mr Domínguez says. "What we have got is a lot of families with savings who are begining to think about equity investments and there are numerous family companies considering a market listing."

The Adolfo Domínguez offering follows a trail blazed by Sol Meliá, the Mallorca-based hotel group which raised $275m last June when it put 40 per cent of its family-owned equity on the Bolsa; and by TelePizza, a fast food company that realised $81m when it floated 45 per cent of its shares in November.

With an estimated market value of between Pta22bn and Pta26bn ($181m), Adolfo Domínguez could add impetus to this trend for domestic issues.

Sol Meliá, which was the first hotel and leisure group to be listed on the Bolsa, has had its market capitalisation increase from Pta74bn to Pta138bn; while TelePizza's capitalisation has climbed from Pta24.8bn to about Pta70bn.

With Mr Domínguez's fashion group, investors are being invited to buy into an even more novel, and an arguably riskier, sector.

"The first question I'm asked [by investors] is what happens to the company if I should suddenly die," says Mr Domínguez. "I tell them that [French designer Coco] Chanel is dead."

Mr Domínguez is selling design teams that produce high-quality fashion and a vertical retailing business that ensures medium prices by eliminating intermediaries. His company reported a net profit of Pta1.2bn last year on sales of Pta7.5bn. Analysts estimate annual cumulative growth in earnings of 33 per cent, and in sales of 38 per cent over the next three years.

COMPANIES AND FINANCE: UK

Michael Page agrees US takeover

By Jane Martinson

Interim Services of the US yesterday announced a £346m ($564m) recommended cash offer for Michael Page, the UK recruitment agency, in the latest sign of consolidation in the international job search market.

The deal is set to leave Mr Terry Benson, Page's chief executive, £5.48m richer after the exercise of 900,000 share options and the sale of about 100,000 shares.

Mr Benson, 44, joined the company as a recruitment salesman in 1979. When asked what he intended to spend his bonanza on he cited his "passion" for horse racing.

Mr Ian Nash, Page's finance director, will receive more than £1m from 200,000 share options. He and Mr Benson exercised a total of 500,000 options last year for a share price of 215p.

Mr Benson said the combined group would be one of the world's five biggest recruitment companies with sales of $2.1bn. The deal was at a "favourable point in the recruitment cycle".

"It may not be the white-hot, heady days of the 1980s, but in our view we are well into this cycle."

He forecast there would have been a dramatic fall in the Page share price once "the cold wind blew." The group's shares hava more than quadrupled in two years. Yesterday Page shares rose 55p, or 10 per cent, to

Terry Benson: set to become £5.48m richer after deal

the 550p offer price.

Interim, which will finance the acquisition through debt, has a market capitalisation of $735m on a share price which edged up 1⅛ cents to $39⅝ yesterday. Mr Ray Marcy, president and chief executive, said that gearing of more than 100 per cent would not stop the group looking for further, smaller acquisitions this year.

He emphasised the geographic fit of combining the two companies. Page plans a US assault later this year while Interim is little known in Europe.

The buoyant UK recruitment market helped Page lift annual pre-tax profits 72 per cent to £30.4m (£17.7m) last year in results announced yesterday.

HongkongBank group input up

By Louise Lucas in Hong Kong

Improved net interest margins and an expanded loan book helped HongkongBank group lift its attributable profit to the HSBC group by 16 per cent, from HK$16.63bn ($2.15bn) in 1995 to HK$19.28bn last year.

However, both HongkongBank and Hang Seng Bank, in which it has a 61.51 per cent holding, clocked up big increases in provisions for bad and doubtful debts. At HongkongBank, provisions more than doubled to HK$1.4bn (HK$647m) while at Hang Seng Bank the total charge taken leapt to HK$715m (HK$131m).

Sir William Purves, group chairman of HSBC Holdings, insisted that in relative terms the provisions were still quite small and did not reflect any weakening of credit systems. Hang Seng's bigger charges reflected certain trade finance and corporate exposures.

Hong Kong is the biggest contributor to HSBC Holdings' pre-tax profits, although the proportion has been eroded by increased diversification in other markets. Last year the territory accounted for 39 per cent of pre-tax profits, down from 42 per cent in 1995.

Sir William, who was in Hong Kong, said the territory would remain key to operations in the future, and ruled out any ownership or personnel changes in the wake of China's resumption of sovereignty over Hong Kong on July 1.

Market speculation that the group would seek to adapt itself for the handover by possibly bringing a mainland Chinese shareholder on board, or spinning off HongkongBank in a separate listing, have helped chase up the share price recently.

But Sir William said there were no plans for either.

Driving last year's strong results was strong growth in net interest income. HongkongBank's net interest income increased by 19 per cent, from HK$25.27bn to HK$30.08bn.

Surging profits at Midland Bank in the UK helped HSBC Holdings to pre-tax profits of £4.52bn ($7.36bn) last year, up 24 per cent from 1995, George Graham writes.

Midland's pre-tax profits rose 27 per cent to £1.27bn as net interest income rose by 8 per cent to £2.05bn, despite a drop in interest margins from 2.77 per cent to 2.68 per cent.

Midland contributed £812m of attributable profits, excluding preference dividends, to the HSBC group after a tax total of £3.11bn. HSBC Americas contributed £241m, the British Bank of the Middle East £62m and other commercial banking subsidiaries £281m.

In the Americas, net interest income was boosted by 9 per cent to $958m by the acquisition of two branches of Hang Seng Bank and the East River Savings Bank.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Albemarle & Bond Φ	6 mths to Dec 31	2.63	(1.97)	0.727	(0.382♠)	1.29	(0.71)	-	-	-	-	0.25
Alizyme Φ	27 wks to Dec 31	0.0002	(-)	1.02L	(-)	6L	(-)	-	-	-	-	-
Ashanti Gold $	15 mths to Dec 31‡‡	564	(387.7)	81.5♠	(106.2)	0.88†	(1.22)	0.25	Apr 30	0.25	0.375	0.375
Avonmore Foods ♣	Yr to Jan 4	1,319	(1,225)	36.5	(32.1♥)	17.19	(15.46)	2.6	May 14	2.35	4.5	4.1
Bluebird Toys	Yr to Dec 31	87.7	(87.3)	9.93♠	(17.8)	14.7‡	(26)	6.75	May 21	6.75	9	9
British Polythene	Yr to Dec 31	412.4	(351.8)	28	(25.1)	47.07†	(47.35)	12	May 16	11	18.25	16.5
Brunel	6 mths to Dec 31	70.5	(93.9)	71L♠	(0.133)	6.3L	(nil)	nil	-	nil	-	0.5
Brunner Mond	6 mths to Dec 31 ☩	72.2	(66.5)	8.9	(7.4)	8.6†	(7.2)	2.9	Apr 16	-	-	-
[illegible]	Yr to Dec 31	19.6	(18.3)	0.86♥	(0.558)	3.1	(2.51)	1.1	Apr 15	1	1.5	1.4
Close Brothers	6 mths to Jan 31	-	(-)	28.2	(21.7)	15.31†	(12.64)	3.8	Apr 16	3.2	-	10
Cornwell Parker	6 mths to Jan 31	45.2	(41.5)	7.29♥	(3.37L♠)	13	(7L)	1	Apr 12	0.3	-	1
European Leisure	6 mths to Dec 31	41.9	(36.7)	3.04	(2.22)	14.1†	(15.7)	1	July 3	nil	-	nil
Formscan Φ	6 mths to Jan 31	2.45	(2.53)	0.595	(0.512)	4.85	(4.01)	1	Apr 20	-	-	2.25
Furlong Homes Φ	Yr to Dec 31	12.2	(8.82)	1.01	(0.621)	14.8†	(12.4)	1.9	May 2	1.3	3.3	2.5
GGT	6 mths to Oct 31	170.5	(156)	3.4	(2.91♠)	7.89	(7.47)	2.3	Apr 10	2.1	-	5.8
HSBC	Yr to Dec 31	-	(-)	4,524	(3,672)	117.61†	(94.01)	28☆	Apr 30	22.75	41	32
Hays	6 mths to Dec 31	542.6	(465.5)	64.2♠	(60.8)	10.9	(10.3)	3	May 30	2.6	-	8.1
Inspec	Yr to Dec 31	301.1	(195.5)	32	(31.1♠)	16.24†	(19.86)	4.2	May 9	4	6.3	6
Lilleshall	Yr to Dec 31	112.8	(111.4)	1.35♠	(3.98♠)	0.6L	(7.7)	3	May 23	3	4.85	4.85
Millennium C'thorne	Yr to Dec 31 ☩	179.3	(159.2)	39.3	(24.1)	23.7	(10)	4	Apr 15	-	4.7	-
Newman Tonks	Yr to Dec 31	258.8	(231.5)	6.3♠	(27.2♥)	0.47L	(14.11)	4.4☆	Apr 11	4	8.025	6.9
Page (Michael)	Yr to Dec 31	142.1	(103.8)	30.4	(17.7)	31.47	(18.39)	7	May 23	3.9	9	5
Perkins Foods	Yr to Dec 31	468.2	(452)	23.5	(4♠)	8.5†	(8.3L)	2.75	May 23	2.75	4.5	4.5
Sherwood Intl	Yr to Dec 31	24.6	(26.3)	1.73	(6.44♥)	19.2†	(19.9)	3	May 1	2.5	4.5	3.75
Vanguard Medica	Yr to Dec 31	0.595	(nil)	11L	(3.67L)	53L†	(33L)	-	-	-	-	-

Investment Trusts		NAV (p)		Attributable earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Edinburgh Income	9 mths to Jan 31 #	45.53	(46.1♦)	0.317	(0.558)	2.11	(3.72)	1§§	Apr 10	1	-	4

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ΦAim stock. ♠After exceptional charge. ♥After exceptional credit. $US currency. ‡‡Comparatives for 12 months to September 30 1995. †On increased capital. ‡On reduced capital. ♣Irish currency. ☆Second interim in lieu of final. ☩Pro forma. #Comparatives for year to April 30 1996. ♦At April 30 1996. §§Third interim; makes 3p to date.

LEX COMMENT

Avis Europe

Avis Europe is one flotation that should beat the traffic. At 117p, the midpoint of Friday's offer price range, the car rental group will be worth £681m ($1.1bn). That puts the shares on 13 times this year's expected earnings, a 10 per cent discount to the market average. But Avis Europe is expected to produce compound earnings growth of 15 per cent in each of the next three years – almost twice as fast as the market. And with pro-forma dividend cover of 2½ times and net debt down to £370m or so following the offer, the payout should rise in line with earnings.

As long as Europe's economies do not collapse, that growth is well underwritten. Historically, car rental volumes are closely correlated to movements in gross domestic product, but grow about three times as fast. As market leader in Europe, the group also has opportunities to win share from smaller rivals with inferior networks and computer systems. On top of that, it has a 40-year licence from Avis of the US to exploit the brand name in Asia. Its management is experienced and two-thirds of the cars Avis Europe buys can be sold back to manufacturers at pre-determined prices, limiting the scope for accounting nasties.

If there is a niggle, it is that D'Ieteren, the Belgian vehicle importer, will retain a majority stake of around 60 per cent. It is also worth bearing in mind that Hertz, Avis of the US and Europcar are all hoping to float later this year. First out of the pits, however, Avis Europe looks very attractive.

Forward accepts £129m US offer

By Christopher Price

Forward Group, the printed circuit board company which issued a profits warning in November, yesterday accepted a £129m ($210m) cash offer from a US leveraged buy-out specialist.

Mr Ray Chamberlain, Forward's executive chairman who is to stay on after the takeover, will receive £47.7m, while other senior managers, who will also keep their jobs, will get about £4.5m. Mr Chamberlain and the other management hold a 40.3 per cent stake.

The 230p a share offer is 18 per cent below the 282p price prior to the profit warning. The shares yesterday leapt 61p to 225p.

Mr Chamberlain denied that Hicks, Muse, Tate & Furst Incorporated of the US was buying the company cheaply. "This is a fair price," he said. "The printed circuit board market has changed and become more competitive, and you could argue that our price before was a bit frothy."

Hays seals German contract

By Ross Tieman

A breakthrough distribution contract in Germany was unveiled yesterday by Hays, the business services group, alongside an 18 per cent rise in underlying first half profits to £76m ($123.88m).

After two years' talks, Hays has secured agreement to manage the delivery of food and dry goods to 100 stores operated by Kriegsbaum in southern Germany.

The management contract requires Hays to set up a distribution system, modelled on UK practices, in which the Kriegsbaum will build two warehouses and hire 1,000 staff to keep its stores supplied on a just-in-time basis.

Mr Graham Williams, group development director, said he was confident other German retailers would follow suit in abandoning piecemeal deliveries by manufacturers.

The German contract, together with increased work for Scottish & Newcastle, the UK brewer, come at a time when profits at Hays' distribution businesses have stagnated.

During the half to December 31, the distribution division contributed £29.4m to group operating profits, down £100,000. Translation of overseas earnings pared £1m from the total, but the division also suffered from higher costs in the manufacturing part of its chemical distribution business.

Aided by newly acquired ICS, Hays' business services arm, which specialises in overnight mail for lawyers and banks, lifted operating profits 33 per cent to £23.8m.

The employment agency lifted profits at a similar rate to £22.8m.

Growth in pre-tax profits was slowed to 5.6 per cent by £7.5m exceptional charges, including £4.9m to reorganise ICS and £2.6m to cover last summer's unsuccessful bid approach to its rival, Christian Salvesen.

NEWS DIGEST

Ashanti 40% drop prompts review

Ashanti Goldfields of Ghana had implemented a restructuring plan to restore competitiveness at the group's core asset, the Obuasi mine in Ghana, Mr Sam Jonah, chief executive, announced yesterday when reporting a 40 per cent drop in full year pre-tax profits. Production set-backs, rising costs and a lower gold price contributed to the fall, from US$110.7m to $60.1m on a pro forma basis.

Mr Jonah said the measures included labour rationalisation, re-negotiation of major supplies contracts, elimination of high cost contractors and grade control.

Earnings per share fell from 117 cents to 64 cents but the annual dividend is being maintained at 37.5 cents. Attributable gold production rose from 936,738 troy ounces to 1,024,803. Hedging ensured that the average realised price increased from $427 to $443 an ounce.

Kenneth Gooding

Strong pound hits Perkins

The strength of sterling knocked £900,000 ($1.46m) off the bottom line at Perkins Foods, which makes the bulk of its sales in continental Europe. Nevertheless the group, which also had to contend with tha effects of BSE, increased profits before tax and exceptional items from £21.9m to £23.5m last year. Turnover rose to £466m (£430.7m), including £14m from Disselkoen Group, the Dutch fresh produce exporter acquired in November.

Mr Howard Phillips, chief executive, said while the BSE scare had cost £500,000 in the first half it had been more than offset by the introduction of non-beef products.

Mr Phillips said the prospects for Disselkoen promised real growth this year. A distribution deal with one of the three top German supermarkets had already started. The group had also become one of only 15 out of 165 Dutch fresh produce exporters to be nominated to The Greenery, the marketing and sales arm of the Dutch Market Garden Food Co-operative. Yesterday the shares closed at 83p, up 2p.

David Blackwell

M&C aims for organic growth

Mr Kwek Leng Beng, chairman of Millennium & Copthorne Hotels, which has grown rapidly through acquisition, said yesterday that growth would be organic this year partly because of rising hotel prices. The group is looking to expand principally into gateway cities in the US where it owns or operates three New York hotels.

Millennium, which owns or operates 23 hotels and has a 42 per cent stake in The Plaza hotel in New York, reported maiden pro forma pre-tax profits of £39.3m in 1996 up from £24m. Turnover rose by 13 per cent to £179.3m of which £4.4m came from acquisitions. A strong London performance and continued recovery in the UK provinces underpinned the growth. The shares, which floated at 278p, rose 6½p to 383p.

Sheherazade Daneshkhu

Centrica in NGC deal

Centrica, the demerged gas supply arm of British Gas, has assumed operational control over Accord Energy, the gas trading joint venture it set up with NGC of the US.

NGC will remain a shareholder in Accord but it will be free to set up its own gas trading operations in the UK and Europe. Accord specialises in the short-term trading of wholesale gas. It has been one of the most active participants in the new gas futures market run by London's International Petroleum Exchange.

Robert Corzine

Hambros merger attacked

By Louise Lucas in Hong Kong and William Lewis in London

Hambros, the UK independent merchant bank, is facing criticism from one of its largest shareholders over the proposed merger of its fund management arm with Guinness Mahon's.

Regent Pacific, the Hong

Hambros Fund Management and Guinness Flight Global Asset Management would reap poor value for Hambros. "On the face of it, it seems Hambros is giving up control of a business it claims was key to the future, in exchange for what will eventually be 35 per cent of the shared entity," said Mr Jim Mellon, managing direc-

Hambros, making it one of the bank's ten largest shareholders. Last September Regent disclosed that it had built up a 3 per cent stake in Hambros and voiced sharp criticisms of management.

Mr Mellon said Guinness Flight had about one-third Hambros' £8bn assets under management and "on the face of it, it looks like a dis-

TECHNOLOGY

FUELS FOR THE FUTURE

No stopping the CNG show

For larger vehicles operating in polluted cities, this alternative fuel is gaining ground, writes Neil Wallis

As policymakers seek ways to improve air quality and limit the output of greenhouse gases, compressed natural gas (CNG) is gaining increasing support as an alternative to petrol and diesel – particularly for larger vehicles operating in polluted cities.

There are more than 1m CNG vehicles operating worldwide – an increase of about 50 per cent over the past five years. Argentina has the largest fleet, and vehicle numbers there have risen by more than 200 per cent since 1992, to 400,000. Italy has 300,000 vehicles using CNG, Russia more than 200,000 and New Zealand 45,000. The US, a late starter, has about 55,000.

Vehicles are either purpose-built to run on CNG or conversions – petrol or diesel engines can be adapted but the conversion of petrol engines is more straightforward. The essential changes required are the addition of one or more pressurised tanks for CNG storage, additional fuel lines for the gaseous fuel and a gaseous fuel mixer in the engine.

Tom Gorman, general manager of British Gas's natural gas vehicle (NGV) division, says there are still some technical drawbacks in using CNG, but none of them are "show-stoppers".

The main disadvantage of CNG, compared with petrol, is that fuel tanks must be larger and stronger to contain the fuel safely, compressed to 3,000psi. Consequently, there is a weight penalty and the vehicle's range is typically 20 per cent below that of a conventional vehicle.

On the other hand, gas compression and refuelling technology is well-established and filling up with CNG takes only a little longer than petrol. Also, the CNG industry has a good safety record: the gas rises in an accident rather than "pooling" like gasoline, diesel or LPG, and the strength of the reinforced fuel tanks increases the overall robustness of vehicles.

CNG's critical advantage over gasoline and diesel may be the potential it offers for improving vehicle emissions. Recent tests by Rover showed that NGVs can reduce photochemical smog by up to 81 per cent, producing less carbon monoxide, hydrocarbons and nitrous oxides.

Air toxins like benzene – which is a carcinogen – can be virtually eliminated along with most particulates and acid-forming sulphur oxides.

Although CNG vehicles allow some unburnt methane to escape from the exhaust pipe, their contribution to global warming is still reckoned to be less than traditional vehicles because other greenhouse gas emissions are so much lower. Methane catalysts, which are being developed, are expected to cut emissions further.

Fuel for thought: Hampshire's gas powered buses have been popular despite a few teething problems

Ian Phillips, managing director of Southampton Citybus, which has been running 16 Dennis Dart buses on CNG since June last year, is satisfied with the vehicles' performance so far: "We've had a few teething problems but, on the whole, we're very pleased. The buses are popular with the drivers and the engines are quieter."

The Southampton project is one of the largest under way in Britain, supported by grants from the European Commission and the Department of Transport. Ten of the vehicles were purpose-built to run on CNG.

Increasing demand is encouraging motor manufacturers to market dedicated CNG vehicles and many now have one or more models commercially available, from passenger cars to heavy trucks and buses. Chrysler, Volvo, Mercedes, BMW, Vauxhall and Iveco-Ford are among companies active in the field.

Honda recently launched a CNG version of the Civic which it claims is "the cleanest internal combustion engine on the planet", designed to meet California's Ultra Low Emission Vehicle (ULEV) standard.

Vehicles designed specifically for CNG tend to offer performance and emissions advantages compared with petrol and diesel conversions. While conversion is often cheaper, it can prove to be a false economy. New Zealand, for example, had a booming NGV industry in the early 1980s, and CNG reached nearly 10 per cent of total transport fuel demand.

Stephen Elder, manager of the Fuels Research Unit at Auckland University, says poor vehicle conversions were partly to blame for the industry's subsequent decline.

Government attitudes can also influence the growth, or otherwise, of NGV use. In the UK, government policy is clearly moving in favour of CNG, says Fred Parker, executive director of the Natural Gas Vehicle Association.

There have been cuts in excise duty on gaseous fuels of 15 per cent and 25 per cent in the past two budgets, while the government remains committed to increasing the duty on gasoline and diesel by 5 per cent a year in real terms.

The latest budget concession helped encourage BOC Distribution Services to order 10 more NGV vehicles last December, making a total fleet of 12.

The new vehicles, being built by ERF with Varity Perkins engines, will be part of a secondary distribution system for Marks and Spencer's central London stores, helping to reduce emission levels.

However, tax incentives are not yet enough on their own to make CNG vehicles commercially viable. Prices for dedicated NGVs are higher than for equivalent petrol vehicles, with the premium ranging from more than £2,500 for a car, to about £20,000 for a bus. Higher NGV production runs may halve this disparity, but there will continue to be a price premium. Phillips reckons the differential would have to come down to about £10,000 for Southampton Citybus to find NGVs viable at current tax rates.

The BOC contract was partly funded by the Energy Saving Trust, an independent company jointly owned by the UK government and energy suppliers, which has £6.2m of government money to help remove barriers to a sustainable market for alternative fuel vehicles.

Jonathan Murray, the trust's transport programme manager, says that the near-term prospects for CNG look favourable.

"There are similarities between CNG and hydrogen in terms of storage requirements. Encouraging CNG should facilitate a longer-term move to the ideal clean fuel, which is hydrogen," he adds.

This is the second in a monthly series on new or alternative fuels. The first article appeared on February 4.

LPG is best of the rest

Other gases or products based on them are also being used or tested as alternative fuels for vehicles. The most well known, liquefied petroleum gas (LPG), is used by more than 1m vehicles worldwide, many of them in the Netherlands.

LPG consists mainly of propane and butane and is a by-product from the refining of crude oil and natural gas. Its main advantage is its high energy content and its cost relative to petrol and diesel.

LPG can also be stored in smaller, lighter tanks than CNG, but it provides fewer air-quality benefits and is delivered by tanker rather than by pipeline.

A less established alternative is liquefied natural gas. There are about 1,000 LNG vehicles in operation worldwide, mainly in the US.

According to Jon Ostle, distribution engineering manager for BOC Gases, LNG can be stored in smaller, vacuum-insulated fuel tanks to maintain the low temperatures required. But LNG can suffer some cost and handling problems compared with the more established alternatives.

Adsorbed natural gas (ANG) has been used as a fuel in a few prototype vehicles. The gas is so-called because it is attracted to a porous solid, such as coconut-based carbon, which enables more efficient and flexible storage.

Print fabrics join the jet set

Japanese followers of fashion can now buy the latest thing in sartorial elegance: fabrics printed with the same technology used by millions of computer printers worldwide.

Canon, the electronics company, and Kanebo, the clothing company, have developed the bubble jet textile printing system, which the companies say can be faster and more cost effective than traditional methods of fabric printing.

Bubble jet printers use an array of ink nozzles, each of which is about half the diameter of a human hair. The nozzles are heated and this causes the ink to form a bubble, which expands and shoots out of the end of the nozzle 6,000 times a second.

Canon launched the first bubble jet printer in 1981, and the company estimates that printers using bubble jet or similar technologies accounted for more than 70 per cent of the 42m computer printers sold worldwide in 1996.

However, despite the success of its bubble jet printers, Canon is keen to use it in other areas, including compact disc labelling, the textile industry and consumer electronics products. One idea is to build television sets with built-in bubble jet devices for printing information pulled from the Internet.

In 1990, Canon and Kanebo formed a technical alliance to develop a bubble jet textile printer. By 1993, the basic technology had been developed, although Kanebo only recently began test-marketing the first products in selected Japanese stores. Canon estimates that $40m to $50m has been invested in the system.

The bubble jet textile printer is a large machine which weighs 7,000kg and stands 1.7m high. The printer has 16 printheads, arranged in two groups to permit two-way printing. The printheads house an array of 1,360 nozzles, which are fed by up to eight ink stations. The machine has a print speed of 1m a minute and can print fabric up to 1.65m wide. Each textile printer costs about $1m (£600,000), and Canon says it expects to sell 50 to 100 of them in the next two years.

The system can be used with a variety of materials, including cotton, silk, nylon, polyester and leather. Kanebo is marketing bubble-jet printed scarves and ties, and there are also plans to develop suits, shirts, bags and sportswear using the technology. The Japanese designer Issey Miyake has produced leather coats printed by the bubble jet system.

Takashi Saito, director of Canon's bubble jet product group, says the new system offers a number of advantages over traditional print systems: "Bubble jet printing offers higher quality than rotary screen printing, and is faster than flat screen printing." Saito adds that the bubble jet system is ideal for small production runs.

Producing a fabric, from design to sample printing, can take up to six weeks using the screen printing process, but the bubble jet system can cut this to three days.

This is because the bubble jet system is computer-controlled. Designs can be created on a PC or fed in via a scanner or CD-Rom, edited, manipulated (the system offers more than 16m colours), and then printed. Canon says bubble jet printing is also more environmentally-friendly because there is no waste water or ink.

But Saito admits that the system does have some drawbacks. Bubble jet textile printing cannot yet produce vivid colours and, in some cases, there is a risk of the ink rubbing off the fabric.

Although the system is cheaper than traditional systems in short runs of up to 50m, it is more expensive when used for mass production: "We aim to reduce costs by at least a half," says Saito. Despite these problems, Canon says textile companies in Germany, Switzerland and the UK have shown an interest in the process.

George Cole

INTERNATIONAL PEOPLE

Rupert joins board of GFSA

Johann Rupert, chairman of Rembrandt, the South African tobacco, liquor, mining and industrial group controlled by his family, has joined the board of Gold Fields of South Africa.

A favourite stock among speculators predicting changes in the capital structure of the troubled mining house, Gold Fields is effectively controlled by Rembrandt, which owns 40 per cent of its parent company, GFSA Holdings.

But until now the management have been insulated from calls to restructure the group by a labyrinthine capital structure, which vests another 40 per cent of GFSA Holdings in a management-controlled company.

The arrangement dates from 1988, and was sanctioned by the Rupert family, who say it protected Gold Fields against the prospect of a hostile takeover by Anglo American. But as Gold Fields has wrestled with labour unrest and productivity problems in recent years, Rupert has spoken out in favour of reforms.

Rupert says he will not give up control of Gold Fields, and that he does not anticipate a bold unbundling of its diverse subsidiaries. But despite these claims, speculation has propelled Gold Fields shares to the highest prospective p/e multiple in the sector. His decision to join the board will do nothing to dampen expectations.

Mark Ashurst, Johannesburg

Universal goes global with Climan

Universal Studios seems to have picked up the choicest of the executive bargains offered in the 1995 executive clear-out at talent brokerage Creative Artists Agency.

While Walt Disney is still eating dust in the wake of the whirlwind visit of CAA founder Michael Ovitz, one of his former colleagues is enjoying a clear run through the upper reaches of Universal management.

Sanford Climan (above), who joined the Seagram-owned group (then known as MCA) in late 1995, has been put in charge of all international business development. In an industry where "going global" is suddenly fashionable, this is no mean move for a man previously better known Kevin Costner's handler.

But as Ron Meyer, Universal's chief operating officer, knows, there is more to Climan than massaging star's egos. The two worked together at CAA for almost 10 years before the managerial departures.

In the past year Climan has been in the thick of developing international television channel services and tying up film and TV programming deals with Germany's Kirch-Gruppe, CLF/Ufa's RTL 7 service in Poland, and Canal+ in France.

Last November, he hired as his right-hand man Brian McGrath, former chief executive of ISL Marketing. ISL is the sports event specialist which packaged and branded the 1996 European soccer championships in Britain, and which has been credited with saving the International Olympics Committee from the financial dumps.

Christopher Parkes, Los Angeles

Chief exec for Deutsche BA

Carl Michel, a 33-year-old former management consultant, is to become chief executive of Deutsche BA, British Airways' German subsidiary.

Michel, who holds both British and Austrian citizenship, will take over on April 1, the day the European Union aviation market is opened to full competition. From then, EU airlines will be free to operate domestic services in other member states. Deutsche BA is already competing with Lufthansa, the national carrier, in the German domestic market.

Michel was educated at Oxford and Harvard, where he received an MBA. He then spent eight years at McKinsey before joining Deutsche BA in 1995 as head of business development. He succeeds Wolfgang Grund, who becomes chairman of the Deutsche BA supervisory board.

Michael Skapinker, London

Schmidheiny retires from ABB's board

Stephan Schmidheiny's decision to retire from the board of ABB, the international engineering conglomerate, should make life easier for him, if not for ABB. Schmidheiny, 49, a Swiss billionaire and ABB's biggest Swiss shareholder, wants to spend more time on his mission to raise the environmental awareness of big business.

His departure comes as ABB is facing mounting environmental criticism for its involvement in the construction of Malaysia's Bakun dam, the biggest project in its history. Schmidheiny, who has been an ABB director for 16 years, resigned last year from the board of UBS, Switzerland's biggest bank, but remains a director of Nestlé.

Schmidheiny's office said that his resignation was not connected with the row over the Bakun dam and still thought that "ABB was a very good company".

Nevertheless, his departure will make life more difficult for Göran Lindahl, who has just taken over as ABB's chief executive and has been closely associated with winning the Bakun contract. Schmidheiny, a prominent member of ABB's environmental advisory board, would have preferred to see Malaysia use ABB's expertise to cut energy losses in electricity transmission rather than assist in the building of more generating capacity.

Tessa Tennant, head of ethical investment at Britain's National Provident Institution, says that Schmidheiny, who invented the idea of Eco-efficiency, had made "an incredible contribution to business thinking on the environment." NPI does not hold any ABB shares in its ethical funds.

Schmidheiny will be replaced on the ABB Board by Edwin Somm, 64, the chief executive of ABB's Swiss operation, now retiring. Gerhard Cromme, chief executive of Fried. Krupp AG Hoesch-Krupp, the German steel and heavy engineering company, replaces Helmut Maucher, 70, Nestlé's German-born chairman, who has reached ABB statutory retirement age.

William Hall, Zurich

ON THE MOVE

■ William Anderson, chief financial officer at Bell Cablemedia in London, is returning to Canada to take up the post of senior vice-president finance of BCE, the parent company and Canada's biggest telecommunications group.

■ Ivan Fallon has been appointed chief executive of INDEPENDENT NEWSPAPER HOLDINGS LTD, in South Africa. He is currently deputy chief executive and editorial director.

■ Jim Woods, who recently retired as chairman of Baker Hughes, has been appointed to the board of UNION TEXAS PETROLEUM HOLDINGS. He replaces Saul Fox, of Kohlberg Kravis Roberts & Co. who resigned in January.

■ DATAWORKS CORPORATION has appointed Robert Brandel to the newly created position of chief operating officer; he was previously vice-president and general manager of DataWorks' DCD division.

■ SBC WARBURG in the US has appointed Carlos Mederios as senior Latin American economist. He joins after nine years at the International Monetary Fund, where he was most recently senior economist for Brazil.

■ Executive vice-president Lars Ohlsson-Leijon will resign his position as chief financial officer of SCANIA, at the annual general meeting on April 24. Bertil Persson, currently senior vice-president of finance, will become finance director; Peter Harnwall has been appointed senior vice-president, accounting and corporate control.

■ Frederick Mancheski has retired as chairman and chief executive of ECHLIN, the US vehicle parts company. A new chief executive officer is expected to be chosen soon but until then Trevor Jones has been elected chairman and interim chief executive. Larry Pavey has been appointed president of the company's North American aftermarket operations.

■ Allen Hule has been appointed by SALOMON BROTHERS ASIA PACIFIC as managing director and head of Greater China Investment Banking.

■ COMPAQ COMPUTER has appointed Kuniaki Fujimoto president of its Japanese unit. He was formerly managing director of Andersen Consulting, the computer services and integration company, in Tokyo. Fujimoto reports to Dick Snyder, general manager of worldwide sales for Compaq. He succeeds Masaru Murai, who becomes chairman of the unit.

■ ULSTER BANK, the Irish subsidiary of National Westminster Bank, has appointed Martin Wilson as deputy group chief executive. He will take over as chief executive when the incumbent, Ronnie Kells, retires in 1998.

■ Dutch electronics company PHILIPS will appoint Louis Schweitzer as a member of the supervisory board, effective March 21.

■ Graham Mackay has been appointed group managing director of SOUTH AFRICAN BREWERIES; former African National Congress Secretary-General Cyril Ramaphosa becomes a non-executive director.

■ Rudi Schwab has been appointed the new head of AIRBALTIC, the national Latvian airline. He joins from Scandinavian Airlines System and takes over from Kjell Fredheim, who was also an SAS executive.

■ TAISEI Corporation has appointed executive vice-president Osamu Hirashima as president, replacing Hyozo Yamamoto, who will become chairman, with effect from April 1.

■ Robert Brust has become chief financial officer and senior vice-president of UNISYS CORP. He was previously vice-president of General Electric's plastics unit.

■ JOHN GOVETT & CO, part of the asset management division of Allied Irish Banks, has appointed Keith Mitchell as managing director of its US operations. He was most recently chief executive of Delaware Distributors, a subsidiary of Delaware Management Holdings.

■ Karl-Heinz Köpfle has been appointed the new managing director of LUFTHANSA Cityline. He takes over from Karl-Friedrich Rausch, who is moving to the management board of the Lufthansa Passenger Airline with responsibility for products and services.

■ Robert Best, senior vice-president, regulated businesses, at Consolidated Natural Gas, is leaving to become chairman, president and chief executive of ATMOS ENERGY CORP. He succeeds Charles Vaughan, who is retiring but will continue as an Atmos director.

■ Eric Topol has joined the board of directors of RHONE-POULENC RORER.

■ Dominique Bazy has been appointed by ALLIANZ AG HOLDING as chairman of its French companies. He was formerly senior executive vice-president of Axa-UAP. Prior to the merger of AXA and Cie UAP, he was Cie UAP's executive vice-president and head of French operations.

■ Belgium's KREDIETBANK has appointed Daniel Couvreur to head its corporate and investment banking unit. Couvreur, who will take up the position on April 24, will replace Luc Philips, who in turn will be nominated to the board of KB.

■ Joachim von Roy has resigned as head of BRISTOL-MYERS SQUIBB's European pharmaceuticals operations. He is replaced by Samuel Hamad, who was head of the company's intercontinental operations; Donald Hayden replaces Hamad.

International appointments

Please fax information on new appointments and retirements to +44 171 873 3926, marked for International People. Set fax to 'fine'.

European high-yielders outperform

GOVERNMENT BONDS

By Samer Iskandar in London and John Authers in New York

Europe's high-yielding bond markets recovered part of Friday's losses. Italian BTPs and Spanish bonos outperformed German bunds, while US Treasury prices fell as a result of a shift in sentiment, with traders increasingly convinced the Federal Reserve might soon raise interest rates.

In London, June futures on 10-year BTPs rose 0.55 to 127.80, as the lira recovered to just under L1,000 against the D-Mark, from a low of L1,004 on Friday.

Traders said Friday's 2.3 percentage point fall was overdone and the correction was healthy. However, they warned that BTPs' recovery was fragile and sentiment remained weak.

In the cash bond market, 10-year benchmark BTPs closed 0.20 higher, while German bunds fell by the same amount. As a result, BTPs' 10-year yield spread over bunds tightened by 10 basis points to 194 points.

"There is a widespread misunderstanding about the Maastricht treaty's criteria for qualifying for Emu," said Prof Hannah Scobie, director of the European Economic and Financial Centre, an independent research centre in London. "The wording of the treaty allows for some flexibility."

According to Prof Scobie, Italy has achieved the best results in Europe in containing its budget deficit, which is expected to fall to 3.8 per cent of GDP this year, from an estimated 6.5 per cent in 1996. While the financial markets seem to believe 3.8 per cent is too high for Emu participation, Prof Scobie said it conformed with the treaty's wording.

"The markets take it for granted that the [60 per cent of GDP] debt criterion will be interpreted flexibly, but attribute a rigidity to the deficit criterion that it does not have," Prof Scobie added. "In fact, the deficit criterion is more flexible than the debt ratio."

In Barcelona, March futures on Spanish bonos rose 0.43 to settle at 112.12, while in the cash market the 10-year spread of bonos over bunds tightened by four basis points to 141 points. However, traders warned that the Spanish market would remain vulnerable to Emu jitters.

Yields on US Treasury bonds rose heavily in morning trading as the conviction spread among dealers that the Federal Reserve is likely to tighten monetary policy within weeks.

Prices fell for all maturities, with the benchmark 30-year long bond dropping ¼ to 97⅛, to yield as much as 6.842 per cent by midday. It had spent most of the morning around the 6.84 per cent level. The yield on the two-year note also shifted upwards, to 6.111 per cent.

The prospect of tomorrow's further session of testimony from Mr Alan Greenspan, Fed chairman, was the main damper on spirits, and there were also signs of nervousness about Friday's employment report, which is expected to show strong payrolls for February.

But yesterday's batch of economic news did not help. The National Association of Purchasing Management's survey for February suggested that the manufacturing sector was expanding. It also saw a strong increase in its prices index, generally seen as a leading indicator of inflation.

This did not help sentiment in the bond market, where traders were looking for signs that heat was being removed from the economy. Before the market opened, they had received data showing personal income and expenditures had increased slightly more than expected in January.

Prices picked up after the release of the data, with some dealers reporting that the market had been oversold, only to fall further as the morning ended.

Debut from Oman oversubscribed

INTERNATIONAL BONDS

By Conner Middelmann

Shrugging off a further slide in emerging-market debt prices, the Sultanate of Oman made a successful debut in the international bond market yesterday with $225m of five-year paper.

Even after the offering was increased from the $150m initially planned, it was more than twice oversubscribed, lead manager J.P. Morgan said. Nearly half was placed in Europe, 23 per cent went to US accounts, 17 per cent to Asia and 13 per cent to the Middle East, a syndicate official said.

"Despite the turbulence in US Treasuries and the emerging markets, we lost next to no orders," he said. "The issue represents a rare opportunity as it is the first investment grade Arab eurobond."

The bonds were priced at a spread of 73 basis points over Treasuries, which narrowed slightly to 72 points.

Another benchmark deal surfaced in the D-Mark market, where Kreditanstalt für Wiederaufbau, the German government agency, issued DM2bn of 10-year bonds.

The deal received a warm reception from institutional investors attracted by the perceived safety of D-Mark assets amid continued uncertainty over European monetary union. Moreover, many investors were shifting back to top-quality assets after the recent slide in high-yielding bonds, both in Europe and the emerging markets, a syndicate manager said.

Although it is a domestic issue, the bonds, which are zero risk-weighted, were targeted at a wide international audience. Indeed, it is the first KfW domestic jumbo to have an international house, Merrill Lynch, acting as joint lead with a German bank, Dresdner-Kleinwort Benson. More than one-quarter of the deal went to Asian investors, with the remainder placed in France, the Netherlands, the Benelux countries, the UK and Italy.

Despite nervousness in the US Treasures market ahead of Friday's jobs data, two jumbo issues are expected to hit the market today.

The Inter-American Development Bank is due to launch $1bn of 10-year global bonds via CSFB and Morgan Stanley, at a rumoured spread of 17 to 18 basis points over Treasuries. Cades, the agency set up a year ago by tha French government to pay off the accumulated debt of the country's social security system, is set to issue $1bn of five-year bonds expected to be priced at around 5 basis points over Treasuries, via Deutsche Morgan Grenfell and Goldman Sachs.

Germany's L-Bank issued $400m of three-year bonds via Yamaichi, aimed at Japanese investors. There were also two retail deals in dollars: $300m for Walt Disney, its first issue since its $2.6bn global foray a year ago, and IBM with $250m of two-year bonds. Both deals saw institutional demand in addition to retail buying.

BOC Group issued £150m of bonds due June 2002, the shortest maturity Pep funds can own, which spurred strong interest, lead manager HSBC Markets said. There was also a £250m four-year issue for the Federal National Mortgage Association via Daiwa Europe, feeding continuing Japanese demand for sterling assets.

New international bond issues

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
■ US DOLLARS							
L-Bank♦	400	5.71#	99.13	Mar 2000	0.20	-	Yamaichi Intl(Europe)
Irish Permanent Trsy. 1(a)‡	150	(a1)	99.843R	Mar 2002	0.125R	-	UBS
Irish Permanent Trsy. 2‡	200	(b)	99.824R	Mar 2005	0.20R	-	UBS
Walt Disney Co§	300	6.25	99.819R	Jun 1999	0.15R	+12(5⅞%Feb99)	Nomura International
IBM International Finance	250	6.25	99.927R	Apr 1999	0.15R	+10(5⅞%Feb99)	ABN Amro Hoare Govett
Sultanate of Oman	225	7.125#	99.847R	Mar 2002	0.625R	+73(6¼%Feb02)	JP Morgan Securities
SudwestLB Capital Markets§	150	3.25	99.19R	Mar 2001	0.225R	+6(5⅝%Feb00)	UBS
■ D-MARKS							
KfW	2bn	5.50	99.644R	Mar 2007	0.325R	+12(6%Jan07)	Dresdner/Merrill Lynch
Rabobank Nederland(s)	300	4.50	99.85R	Dec 2001	0.25R	+8(4¾%Nov01)	Goldman/Rabobank
■ YEN							
European Inv'ment Bank(c)♦	14bn	5.46#	100.00	Mar 2000	1.70	-	LTCB International
■ STERLING							
Federal Natl Mtge Assoc(d)♦	250	6.43#	100.00	Mar 2001	1.50	-	Daiwa Europe
BOC Group(s)	150	7.25	99.308R	Jun 2002	0.30R	+37¼(7Jun02)	HSBC Markets
■ ITALIAN LIRE							
Abbey Natl Trsy Services‡	150bn	(e)	99.97R	Apr 2001	0.125R	-	Credito Italiano
■ CANADIAN DOLLARS							
Bayerische Landesbank	100	5.75	99.245R	Mar 2003	0.275R	+34(7%Sep01)	ABN Amro/Scotia
■ AUSTRALIAN DOLLARS							
Sth Australian Govt Fin Auth	100	7.50	101.43	Apr 2002	2.00	-	Hambros Bank
■ CZECH KORUNA							
Asfinag	1bn	10.875	100.00R	Mar 1998	0.15R	-	ING Barings

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. ‡Unlisted. ‡ Floating-rate note. #Semi-annual coupon. R: Fixed re-offer price; fees shown at re-offer level. a) 50% redeemed on pro rata basis in Mar 00. Average life: 4 yrs. a1) 3-mth Libor +⅛%. b) 3-mth Libor +10bp. c) Redeemed in A$. d) 3-mth Libor +12½bp, max 8½%. †) Over interpolated yield. § Long 1st coupon. ¶ Short 1st coupon.

CAPITAL MARKETS DIGEST

Smooth start for gilt repo market

The first day of the Bank of England's daily gilt-edged securities repurchase operation yesterday went without problems, according to the Bank and market sources. However, the change to the new system of managing interest rates and providing liquidity to the money markets appears to have attracted few new counterparties for the Bank.

Mr Peter Andrews, head of the Bank of England's gilt-edged and money markets division, said the debut of the gilt repo – short-term sale and repurchase agreements, using bonds as collateral for funds raised on the money market – as a supplement to buying bank bills, went smoothly. Mr Philip Shaw, chief economist at Union Discount, also described the day's operations as "a very smooth start".

However, other sources said the Bank dealt with about 24 institutions – a similar number to the discount houses and gilt-edged marketmakers it dealt with previously. "If the Bank's intention was to widen the market, then it hasn't succeeded yet. But it is early days," one repo analyst said. The Bank said it would not comment on the number of counterparties.

The Bank of England's task was helped by the forecast of a small shortage of £650m in the money markets. It provided £30m of late repo assistance to the discount houses, and did not need to operate in the late facility for settlement banks.

Richard Adams

Lebanon ratings differ widely

By obtaining contrasting credit ratings from four different international rating agencies, Lebanon has almost achieved its initial goal, which was to avoid being rated altogether, according to analysts.

"The grades are so widely spread across the rating spectrum that investors are bound to get somewhat confused," said Mr Walid Kaba, managing director of MedInvest Associates, a London-based financial consultancy firm specialised in the Middle East. "As a result, the publication of the ratings is unlikely to change investors' perception of Lebanon."

Lebanese officials have always felt they could raise cheaper financing on the international markets without credit rating, because most existing Lebanese eurobonds are held by expatriate Lebanese investors, who require a much smaller risk premium than international investors would impose on similarity-rated securities.

"The ratings are just one factor in investors' views," said Mr Mohamed Chatah, vice-governor of the Lebanese central bank. "Most investors know the Lebanese case reasonably well."

The ratings, which were announced last Wednesday, range from BBB–, denoting investment grade, to B1, reflecting high risk. "There is a bright and a bleak scenario and nothing in between," said a senior government official. "This is why we know the results of the ratings are along the lines we expected."

Samer Iskandar and Roula Khalaf

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		6.750	11/06	92.5932	−1.030	7.85	7.56	7.32
Austria		5.625	01/07	100.5100	−0.170	5.56	5.54	5.78
Belgium		6.250	03/07	104.3600	−0.250	5.67	5.66	5.69
Canada *		7.000	12/06	104.1800	+0.080	6.42	6.29	6.55
Denmark		8.000	03/06	111.6400	−0.160	6.28	6.23	6.34
France	BTAN	5.500	10/01	104.5727	−0.170	4.40	4.36	4.44
	OAT	6.500	10/06	108.3000	−0.420	5.38	5.38	5.56
Germany Bund		8.000	01/07	103.3000	−0.240	5.55	5.55	5.74
Ireland		8.000	08/06	110.3400	−0.260	6.50	6.40	6.52
Italy		7.750	11/06	102.5700	+0.160	7.37†	7.08	7.11
Japan	No 143	6.300	09/01	121.3119	−0.050	1.37	1.37	1.35
	No 182	3.000	09/05	104.1985	−0.040	2.41	2.42	2.39
Netherlands		5.750	01/07	102.1500	−0.210	5.34	5.32	5.59
Portugal		9.500	02/06	118.5000	-	6.70	6.65	6.62
Spain		7.350	03/07	102.2600	−0.230	6.86	6.73	6.63
Sweden		8.000	08/07	108.1917	−0.620	6.87	6.65	6.65
UK Gilts		8.000	12/00	103–23	−2/32	6.86	6.73	6.87
		7.500	12/06	101–25	−10/32	7.24	7.15	7.32
		9.000	10/08	112–29	−12/32	7.33	7.25	7.41
US Treasury *		6.250	02/07	97–19	−3/32	6.58	6.39	6.52
		6.625	02/27	97–10	−10/32	6.84	6.67	6.80
ECU (French Govt)		7.000	04/06	107.3700	−0.340	5.93	5.77	5.89

London closing. *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
Prime rate	8¼	One month	-	Two year	6.13
Broker loan rate	7	Two month	-	Three year	6.26
Fed.funds	5⅜	Three month	5.34	Five year	6.44
Fed.funds at intervention	5¼	Six month	5.40	10-year	6.60
		One year	5.71	30-year	6.84

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	132.22	131.96	−0.44	132.30	131.88	97,606	123,303
Jun	130.94	130.72	−0.44	131.02	130.64	10,533	28,236
Sep	129.28	129.06	−0.44	129.28	129.28	2	1,782

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Apr	Calls May	Calls Jun	Puts Apr	Puts May	Puts Jun
128	2.77	-	3.11	0.08	0.21	0.41
129	1.87	-	2.34	0.18	0.38	0.63
130	1.08	1.37	1.66	0.36	0.65	0.96
131	0.50	0.80	1.02	0.78	1.08	1.37
132	0.19	0.41	0.68	1.46	1.68	1.96

Est. vol. total, Calls 4,259 Puts 14,677. Previous day's open int., Calls 62,813 Puts 113,186.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	103.32	103.38	+0.20	103.47	103.20	188912	198433
Jun	102.50	102.55	+0.19	102.65	102.39	89688	143702

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Apr	Calls May	Calls Jun	Calls Sep	Puts Apr	Puts May	Puts Jun	Puts Sep
10250	0.57	0.91	1.13	1.21	0.52	0.86	1.08	2.01
10300	0.34	0.66	0.87	1.01	0.79	1.11	1.32	2.31
10350	0.18	0.46	0.65	0.84	1.13	1.41	1.60	2.64

Est. vol. total, Calls 14318 Puts 16064. Previous day's open int., Calls 198217 Puts 161586

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	127.95	128.00	+0.50	128.14	126.85	62930	60584
Jun	127.35	127.80	+0.56	127.83	126.70	63259	64798

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Jun	Calls Sep	Puts Jun	Puts Sep
12750	2.18	2.96	1.89	2.83
12800	1.90	2.71	2.10	3.08
12850	1.63	2.45	2.33	3.30

Est. vol. total, Calls 2410 Puts 2720. Previous day's open int., Calls 60051 Puts 39897

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	111.97	111.69	+0.43	112.45	111.30	102,207	63,493
Jun	112.40	112.00	+0.37	112.55	111.78	5,047	19,879

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	112-17	112-16	+0-05	112-18	112-00	57282	107405
Jun	112-01	112-00	+0-05	112-02	111-18	58302	164521

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Apr	Calls May	Calls Jun	Calls Sep	Puts Apr	Puts May	Puts Jun	Puts Sep
112	0-48	1-23	1-47	2-16	0-48	1-23	1-47	2-46
113	0-22	0-58	1-17	1-53	1-22	1-58	2-17	3-19
114	0-08	0-36	0-57	1-28	2-08	2-36	2-57	3-59

Est. vol. total, Calls 3621 Puts 2363. Previous day's open int., Calls 66228 Puts 23945

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	97.16	97.10	−0.32	97.32	96.94	2,642	6,833
Jun	-	95.72	−0.32	-	-	-	306

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Mar	110-28	110-13	−0-15	110-28	110-13	82,198	280,531
Jun	110-12	109-28	−0-16	110-13	109-23	365,893	272,372
Sep	-	109-22	−0-10	109-22	109-13	1,946	19,942

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Mar	126.32			126.33	126.24	2026	n/a
Jun	124.80			124.85	124.77	2594	n/a

* LIFFE futures also traded on APT. All Open Interest figs. are for previous day.

FTSE Actuaries Govt. Securities — UK Indices

Price Indices UK Gilts	Mon Mar 3	Day's change %	Fri Feb 28	Accrued interest	xd adj. ytd		Low coupon yield Mar 3	Feb 28	Yr. ago	Medium coupon yield Mar 3	Feb 28	Yr. ago	High coupon yield Mar 3	Feb 28	Yr. ago
1 Up to 5 years (19)	120.90	0.11	120.77	2.20	2.45	5 yrs	6.94	6.98	7.23	7.01	7.03	7.27	7.05	7.08	7.36
2 5-15 years (21)	151.94	0.05	151.87	2.56	1.93	15 yrs	7.41	7.39	8.06	7.39	7.40	8.08	7.35	7.36	8.19
3 Over 15 years (6)	174.02	0.14	173.77	4.18	2.31	20 yrs	7.48	7.48	8.17	7.43	7.44	8.15	7.38	7.39	8.28
4 Irredeemables (5)	201.50	−0.43	202.38	3.89	1.00	Irred.†	7.55	7.51	8.23						
5 All stocks (51)	146.02	0.08	145.90	2.75	2.25										

Index-linked							Inflation 5% Mar 3	Feb 28	Yr. ago	Inflation 10% Mar 3	Feb 28	Yr. ago
6 Up to 5 years (2)	206.20	−0.01	206.23	2.51	0.00	Up to 5 yrs	3.08	3.07	2.83	2.38	2.37	1.55
7 Over 5 years (10)	196.51	−0.02	198.54	1.00	1.81	Over 5 yrs	3.44	3.43	3.74	3.23	3.23	3.54
8 All stocks (12)	196.25	−0.02	198.28	1.15	1.61							

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT Fixed Interest Indices

	Mar 3	Feb 28	Feb 27	Feb 26	Feb 25	Yr ago	High*	Low*
Govt. Secs. (UK)	95.84	96.12	96.34	96.04	96.40	93.80	98.74	91.59
Fixed Interest	119.84	119.87	119.87	119.78	119.98	112.14	120.18	110.74

Gilt Edged Activity Indices

	Feb 28	Feb 27	Feb 26	Feb 25	Feb 24
Gilt Edged bargains	102.3	77.4	115.1	100.0	95.8
5-day average	98.1	96.0	98.1	93.0	91.3

 * for 1996/97. Government Securities high since compilation: 127.40 (09/01/35), low 49.18 (03/01/75). Fixed Interest high since compilation: 133.87 (21/01/94), low 50.53 (03/01/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

UK GILTS PRICES

[illegible]

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on March 3

[illegible]

CURRENCIES AND MONEY

Strong US economy boosts dollar

MARKETS REPORT

By Simon Kuper

The dollar surged against the D-Mark yesterday, as strong US economic data contrasted with rumours of weak forthcoming German unemployment figures.

A newspaper article saying that German unemployment would rise to a postwar record of 4.8m in February hit the D-Mark, despite various official German denials of the report. Meanwhile, strong US consumption and National Association of Purchasing Managers' data helped the dollar.

Remarks by Mr Ernst Welteke, Bundesbank council member, gave the D-Mark only a brief boost. He said that the D-Mark's fall must not continue, and that growing prospects of a US interest rate rise had reduced the Bundesbank's scope to cut rates.

The US currency rose 0.6 pfennigs against the D-Mark to close in London at DM1.694. The dollar seesawed but found technical support at about DM1.69. Against the yen it rose Y0.3 to Y120.9. "If we get above Y121 the market will target Y122," said Mr Marc Chandler, senior currency strategist at Deutsche Morgan Grenfell in New York.

Sterling suffered on fresh signs that the UK government is divided over European monetary union. Mr Stephen Dorrell, the health secretary, said: "We shall not be joining a single currency on January 1, 1999." This broke with official government policy on Emu, which is to wait and see. Later, however, Mr Dorrell retracted his remark. Traders said European exporter companies were heavy sellers of the pound yesterday.

Sterling was also hit by statements from European officials that suggested Emu would go ahead on schedule. Mr Hans Tietmeyer, Bundesbank president, said market talk last week of a delay had been "nonsense".

Sterling had profited from the uncertainty over Emu, as it is seen as a safe haven from the process. Soft UK economic data yesterday also offered little support to the pound.

The currency closed 1.1 pfennigs lower against the D-Mark at DM2.743, and 1.3 cents weaker against the dollar at $1.619.

The reassuring noises from continental Europe on monetary union helped the lira, which fell sharply last week. Mr Tietmeyer said he would like to see Italy join the first round of Emu, as long as it met the economic criteria laid down in the Maastricht treaty. The Italian currency firmed slightly to L1,000 against the D-Mark.

■ The Norwegian krone dropped on rumours that Norway's finance minister wanted the currency to fall. The krone has risen strongly in recent months, driven by high oil prices and Norway's strong economy.

Yesterday it fell from NKr3.991 to NKr4.036 against the D-Mark, after hitting a low of NKr4.0785 during the afternoon. The finance ministry denied that Mr Jens Stoltenberg, finance minister, had said the country's central bank should return the krone to a "stable" NKr4.10-NKr4.30 range against the D-Mark.

Norway has previously said that in due course the krone should return to its levels of before the rally.

But Mr Mark Cliffe, international economist at HSBC Markets in London, points out that these days soft German data can have an unexpected effect on the market. There are growing fears that Germany itself might fail to qualify for Emu. That would mean a delay to the whole process, which should help the D-Mark. So weak German economic figures, on the long term if not the short term, could boost the D-Mark as long as they are seen to threaten Emu.

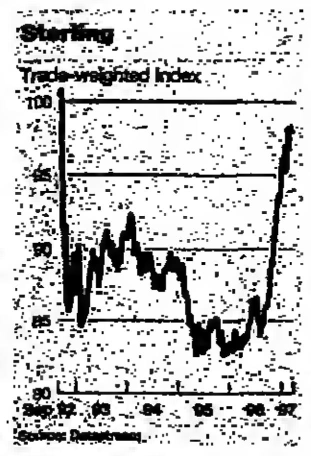
■ One focus for the market today will be German industrial production figures. If they are weak, as expected, that could deal a further blow to the D-Mark.

Traders will also be watching a meeting today between Mr Larry Summers, US deputy treasury secretary, and Japanese officials. Mr Summers has recently warned Japan on its growing trade surplus with the US. The rise in the surplus has been prompted by the yen's recent slide against the dollar. If Mr Summers issues another warning today, that could signal that some Washington officials want to see the yen recover.

■ Pound in New York

Mar 3	Latest	Prev. close
£ spot	1.6175	1.6290
1 mth	1.6165	1.6281
3 mth	1.6150	1.6263
1 yr	1.6073	1.6185

Sterling



■ OTHER CURRENCIES

Mar 3	£	$
Czech Kr	47.3396 - 47.4077	29.2340 - 29.2640
Hungary	284.604 - 284.881	175.790 - 175.940
Iran	4880.00 - 4857.00	3000.00 - 3005.00
Kuwait	0.4907 - 0.4912	0.3031 - 0.3032
Poland	4.8485 - 4.8568	2.9965 - 3.0010
Russia	9212.11 - 9216.42	5690.00 - 5691.00
U.A.E.	5.9417 - 5.9519	3.6700 - 3.6740

POUND SPOT FORWARD AGAINST THE POUND

Mar 3		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Belgium	(BFr)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark	(DKr)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Finland	(FM)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
France	(FFr)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Germany	(DM)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Greece	(Dr)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ireland	(I£)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italy	(L)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Luxembourg	(LFr)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Netherlands	(Fl)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norway	(NKr)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portugal	(Es)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spain	(Pta)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden	(SKr)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Switzerland	(SFr)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	[illegible]
Ecu		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-
SDR†		[illegible]	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-	-	-	-	-
Brazil	(R$)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-	-	-	-	-
Canada	(C$)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mexico	(New Peso)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-	-	-	-	-
USA	($)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Pacific/Middle East/Africa													
Australia	(A$)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Hong Kong	(HK$)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-
India	(Rs)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-	-	-	-	-
Israel	(Shk)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-	-	-	-	-
Japan	(Y)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Malaysia	(M$)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-	-	-	-	-
New Zealand	(NZ$)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-
Philippines	(Peso)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-	-	-	-	-
Saudi Arabia	(SR)	6.0738	-0.0448	716 - 760	6.1163	6.0691	-	-	-	-	-	-	-
Singapore	(S$)	2.3070	-0.0195	056 - 085	2.3247	2.3049	-	-	-	-	-	-	-
South Africa	(R)	7.2432	-0.0684	380 - 485	7.2995	7.2344	-	-	-	-	-	-	-
South Korea	(Won)	1398.82	-13.37	315 - 049	1408.37	1392.93	-	-	-	-	-	-	-
Taiwan	(T$)	44.5849	-0.314	387 - 310	44.9083	44.4814	-	-	-	-	-	-	-
Thailand	(Bt)	41.9532	-0.2945	997 - 066	42.3670	41.8840	-	-	-	-	-	-	-

† Rates for Feb 28. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Mar 3		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P. Morgan Index
Europe													
Austria	(Sch)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Belgium	(BFr)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark	(DKr)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Finland	(FM)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
France	(FFr)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Germany	(DM)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Greece	(Dr)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ireland	(I£)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italy	(L)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Luxembourg	(LFr)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Netherlands	(Fl)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norway	(NKr)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portugal	(Es)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spain	(Pta)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden	(SKr)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Switzerland	(SFr)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
UK	(£)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ecu		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-
SDR†		[illegible]	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-	-	-	-	-
Brazil	(R$)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-	-	-	-	-
Canada	(C$)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mexico	(New Peso)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	[illegible]
Pacific/Middle East/Africa													
Australia	(A$)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Hong Kong	(HK$)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-
India	(Rs)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
Israel	(Shk)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-	-	-	-	-
Japan	(Y)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Malaysia	(M$)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-
New Zealand	(NZ$)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-
Philippines	(Peso)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7504	+0.0001	502 - 506	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-
Singapore	(S$)	1.4245	-0.0015	240 - 250	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-
South Africa	(R)	4.4725	-0.009	700 - 750	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-
South Korea	(Won)	862.500	-1.85	500 - 500	[illegible]	[illegible]	-	-	-	-	-	-	-
Taiwan	(T$)	27.5300	+0.01	100 - 500	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
Thailand	(Bt)	25.9050	+0.01	800 - 300	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-

† SDR rate per $ for Feb 28. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Feb 28: Base average 1990=100.

WORLD INTEREST RATES

MONEY RATES

March 3	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	3¼	3⅛	3½	3⅜	3⅜	6.00	2.50	-
France	3⅞	3¼	3⅛	3⅛	3⅛	3.10	-	4.75
Germany	3⅛	3⅛	3⅛	3⅛	3¼	4.50	2.50	3.00
Ireland	5⅜	5⅞	5⅞	5⅜	5⅞	-	-	6.25
Italy	7⅜	7⅜	7⅞	7⅛	7⅛	8.25	6.75	7.35
Netherlands	2⅞	3⅛	3⅛	3⅛	3¼	-	3.00	3.30
Switzerland	1½	1⅞	1⅞	1⅞	1⅝	-	1.00	-
US	5⅝	5⅜	5⅜	5⅝	5⅞	-	5.00	-
Japan	½	⅜	⅜	½	⅞	-	0.50	-
■ $ LIBOR FT London								
Interbank Fixing	-	5⅛	5⅜	5⅞	6	-	-	-
US Dollar CDs	-	5.09	5.18	5.28	5.54	-	-	-
ECU Linked Ds	-	4⅜	4⅜	4⅜	4⅜	-	-	-
SDR Linked Ds	-	3⅜	3⅝	3⅞	3⅞	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo Mitsubishi, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Mar 3	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	3¼ - 3	3⅜ - 3½	3⅜ - 3⅜	3⅝ - 3⅞	3⅝ - 3⅜	3⅝ - 3⅜
Danish Krone	3⅜ - 3⅜	3⅜ - 3½	3⅝ - 3½	3⅝ - 3⅜	3⅜ - 3⅜	3⅜ - 3⅜
German Mark	4⅛ - 3⅞	3¼ - 3	3⅜ - 3⅛	3¼ - 3⅛	3¼ - 3⅛	3⅜ - 3⅛
Dutch Guilder	3 - 2⅞	3⅛ - 2⅞	3⅛ - 3	3⅛ - 3⅛	3⅛ - 3⅛	3⅜ - 3⅛
French Franc	3⅜ - 3⅜	3⅜ - 3⅜	3⅜ - 3⅛	3⅜ - 3¼	3⅜ - 3⅜	3⅜ - 3⅜
Portuguese Esc.	6⅜ - 6⅛	6⅞ - 6⅞	6⅜ - 6⅞	6⅜ - 6⅛	6⅛ - 5⅞	6⅛ - 6⅛
Spanish Peseta	6 - 5⅞	6⅛ - 6	6⅛ - 6⅛	6⅛ - 6	6 - 5⅞	5⅞ - 5⅞
Sterling	6 - 5⅞	6⅛ - 6	6⅛ - 6	6⅜ - 6⅛	6⅜ - 6⅜	6⅞ - 6⅝
Swiss Franc	1¾ - 1¼	1⅞ - 1⅞	1⅞ - 1⅝	1⅞ - 1⅝	1⅞ - 1⅝	1⅞ - 1⅞
Canadian Dollar	3¼ - 3⅛	3⅛ - 2⅞	3⅛ - 2⅞	3⅛ - 3⅛	3⅜ - 3⅜	3¾ - 3⅝
US Dollar	5⅞ - 5⅜	5⅜ - 5⅜	5⅜ - 5⅜	5⅞ - 5⅜	5⅞ - 5⅜	5⅞ - 5⅞
Italian Lira	7⅞ - 6⅞	7⅞ - 7⅞	7⅞ - 7⅞	7⅞ - 7⅜	7¼ - 7⅜	7⅛ - 7⅛
Japanese Yen	⅜ - ⅞	⅞ - ⅜	⅝ - ½	⅞ - ⅞	⅞ - ⅞	⅞ - ⅞
Asian $Sing	3⅜ - 3⅛	3⅜ - 3⅛	3⅛ - 3⅛	3⅛ - 3	3⅜ - 3⅛	3⅜ - 3⅛

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	96.62	96.63	-0.02	96.64	96.61	7,675	47,575
Jun	96.62	96.62	-0.03	96.64	96.60	11,128	51,634
Sep	96.58	96.58	-0.03	96.60	96.56	4,206	38,528

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Apr	96.79	96.78	-	96.79	96.79	50	6066
Jun	96.78	96.78	+0.02	96.79	96.77	15865	188327
Sep	96.71	96.72	+0.02	96.73	96.71	16268	161022
Dec	96.57	96.59	+0.03	96.60	96.57	16906	178865

■ ONE MONTH EUROMARK FUTURES (LIFFE)* DM3m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	96.74	96.74	+0.01	96.74	96.74	500	19153
Apr	-	96.80	-	-	-	0	4593
May	-	96.83	-	-	-	0	3937
Jun	-	96.83	-	-	-	0	510

■ THREE MONTH EUROLIRA FUTURES (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	92.66	92.65	+0.02	92.68	92.57	15947	69746
Jun	93.03	93.09	+0.08	93.11	92.92	43557	107150
Sep	93.30	93.32	+0.06	93.35	93.12	17269	49539
Dec	93.36	93.36	+0.08	93.39	93.16	11040	35029

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	98.30	98.28	-	98.31	98.28	2057	28697
Jun	98.33	98.33	-	98.37	98.33	2277	42853
Sep	98.27	98.27	-0.01	98.31	98.27	1190	15921
Dec	98.19	98.18	-	98.20	98.16	677	12645

■ THREE MONTH EUROYEN FUTURES (LIFFE) Y100m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	99.44	99.44	-	99.44	99.44	50	n/a
Jun	99.39	99.39	-0.01	99.39	99.39	500	n/a
Sep	99.31	99.31	-0.01	99.31	99.31	570	n/a

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	95.76	95.78	+0.01	95.76	95.72	1768	10617
Jun	95.77	95.77	-0.01	95.79	95.73	1388	8260
Sep	95.77	95.78	-0.01	95.78	95.73	336	4082
Dec	95.73	95.75	-0.01	95.77	95.74	229	4599

* LIFFE futures also traded on APT

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

Strike Price	CALLS Mar	CALLS Jun	CALLS Sep	PUTS Mar	PUTS Jun	PUTS Sep
9250	0.18	0.69	0.88	0.03	0.10	0.18
9275	0.05	0.50	0.79	0.15	0.18	0.22
9300	0.01	0.34	0.62	0.36	0.25	0.30

Est. vol. total, Calls 17165 Puts 5550. Previous day's open int., Calls 162938 Puts 89054

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Mar 3		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.49	16.37	4.848	1.820	4850	5.451	19.57	488.9	411.3	21.70	4.224	1.787	3.915	2.861	345.9	2.487
Denmark	(DKr)	54.09	10	8.855	2.622	0.985	2623	2.948	10.58	263.4	222.6	11.74	2.285	0.956	2.118	1.548	187.1	1.351
France	(FFr)	61.09	11.29	10	2.962	1.112	2963	3.330	11.95	297.5	251.2	13.26	2.580	1.080	2.391	1.748	211.3	1.526
Germany	(DM)	20.63	3.813	3.377	1	0.376	1000	1.124	4.036	100.4	84.83	4.477	0.871	0.365	0.808	0.590	71.35	0.515
Ireland	(I£)	54.93	10.18	8.992	2.663	1	2664	2.994	10.75	267.5	225.9	11.92	2.320	0.971	2.150	1.572	190.0	1.372
Italy	(L)	2.062	0.381	0.338	0.100	0.038	100.	0.112	0.403	10.04	8.480	0.448	0.087	0.036	0.081	0.059	7.132	0.051
Netherlands	(Fl)	18.35	3.392	3.003	0.889	0.334	889.8	1	3.589	89.33	75.45	3.982	0.775	0.324	0.718	0.525	63.46	0.458
Norway	(NKr)	51.11	9.449	8.367	2.478	0.930	2478	2.786	10	248.9	210.2	11.09	2.159	0.903	2.001	1.463	176.8	1.276
Portugal	(Es)	20.54	3.797	3.362	0.995	0.374	996.0	1.119	4.018	100.	84.46	4.457	0.868	0.363	0.804	0.588	71.03	0.513
Spain	(Pta)	24.31	4.495	3.980	1.179	0.443	1179	1.325	4.757	118.4	100.	5.277	1.027	0.430	0.952	0.696	84.10	0.607
Sweden	(SKr)	46.07	8.516	7.542	2.234	0.839	2235	2.511	9.015	224.3	189.5	10	1.946	0.814	1.804	1.318	159.4	1.151
Switzerland	(SFr)	23.67	4.377	3.875	1.148	0.431	1148	1.290	4.632	115.3	97.35	5.138	1	0.418	0.927	0.677	81.88	0.591
UK	(£)	56.56	10.46	9.262	2.743	1.030	2744	3.084	11.07	275.5	232.7	12.28	2.390	1	2.215	1.619	195.7	1.413
Canada	(C$)	25.54	4.722	4.181	1.238	0.465	1239	1.392	4.998	124.4	105.1	5.544	1.079	0.451	1	0.731	88.35	0.638
US	($)	34.95	6.461	5.721	1.694	0.636	1695	1.905	6.838	170.2	143.7	7.585	1.476	0.618	1.368	1	120.9	0.873
Japan	(Y)	28.91	5.345	4.733	1.402	0.526	1402	1.576	5.657	140.8	118.9	6.275	1.221	0.511	1.132	0.827	100.	0.722
Ecu		40.04	7.403	6.555	1.941	0.729	1942	2.183	7.834	195.0	164.7	8.691	1.691	0.708	1.568	1.146	138.5	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.5918	0.5919	-0.0007	0.5926	0.5905	25,980	90,459
Jun	0.5945	0.5954	-0.0006	0.5960	0.5942	2,840	10,354
Sep	0.5989	0.5989	-0.0010	0.5993	0.5989	122	2,449

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.8341	0.8304	-0.0039	0.8350	0.8290	27,521	72,185
Jun	0.8440	0.8411	-0.0039	0.8451	0.8395	1,869	6,261
Sep	0.8525	0.8524	-0.0038	0.8525	0.8520	36	673

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.6773	0.6801	+0.0016	0.6801	0.6756	12,472	48,748
Jun	0.6838	0.6860	+0.0012	0.6864	0.6825	629	4,388
Sep	-	0.6930	+0.0013	0.6930	-	3	1,778

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	1.6268	1.6210	-0.0082	1.6302	1.6190	9,476	34,344
Jun	1.6232	1.6180	-0.0086	1.6232	1.6170	393	2,976
Sep	1.6130	1.6150	-0.0084	1.6150	1.6130	3	1,233

UK INTEREST RATES

LONDON MONEY RATES

Mar 3	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	6 - 5	6 - 5⅞	6⅛ - 5⅞	6¼ - 6⅛	6⅜ - 6⅜	6¾ - 6⅝
Sterling CDs	-	-	6⅛ - 5⅞	6⅛ - 6⅛	6⅜ - 6⅜	6⅝ - 6⅝
Treasury Bills	-	-	5⅞ - 5¾	6 - 5⅞	-	-
Bank Bills	-	-	5⅞ - 5⅞	5⅞ - 5⅞	6⅛ - 6⅛	-
Local authority deps.	5⅞ - 5⅞	5⅞ - 5⅞	6⅛ - 6	6⅛ - 6⅛	6⅜ - 6⅜	6⅜ - 6⅜
Discount Market deps	5¾ - 5⅜	5⅞ - 5¾	-	-	-	-

UK clearing bank base lending rate 6 per cent from October 30, 1996

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2½	3½	5	5	4¾

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1½pc.
Ave. tender rate of discount on Feb 21, 5.8097pc. ECGD fixed rate Stlg. Export Finance. Make up day Feb 28, 1997. Agreed rate for period Mar 26, 1997 to Apr 21, 1997, Scheme III 7.53pc. Reference rate for period Feb 1, 1997 to Feb 28, 1997, Schemes IV & V 6.286pc. Finance House Base Rate 6½pc from Mar 1, 1997

EMS EUROPEAN CURRENCY UNIT RATES

Mar 3	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Portugal	197.398	196.063	-0.27	-0.68	3.20	5
Finland	5.85424	5.82850	+0.00225	-0.44	2.95	3
Ireland	0.798709	0.732870	+0.001954	-8.24	11.71	56
Spain	163.826	165.514	-0.325	1.03	1.45	-7
Netherlands	2.16979	2.19506	-0.00172	1.17	1.32	-9
Germany	1.92573	1.95175	-0.002	1.35	1.13	-13
Belgium	39.7191	40.2684	-0.0368	1.38	1.10	-10
Austria	13.5485	13.7363	-0.0142	1.39	1.10	-10
Denmark	7.34555	7.44765	-0.00432	1.39	1.09	-10
France	6.45863	6.59021	-0.00445	2.04	0.45	-17
Italy	1906.48	1954.09	+6.35	2.50	0.00	-18
NON ERM MEMBERS						
Greece	295.269	306.971	+0.717	3.96	-1.41	-
UK	0.793103	0.711528	+0.002471	-10.29	14.25	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. 17/9/92: Sterling suspended from ERM. Adjustment calculated by the Financial Times.

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	93.71	93.72	+0.01	93.73	93.70	10866	98244
Jun	93.46	93.47	+0.03	93.43	93.43	19542	121470
Sep	93.24	93.24	+0.02	93.26	93.21	14863	89678
Dec	93.09	93.09	+0.01	93.11	93.06	13026	60039
Mar	93.01	92.98	-	93.01	92.95	3799	41660

Also traded on APT. All Open interest figs. are for previous day.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Mar	CALLS Apr	CALLS May	PUTS Mar	PUTS Apr	PUTS May
1.600	3.20	3.78	-	0.24	0.81	1.57
1.610	2.46	3.11	3.74	0.45	1.23	1.94
1.620	1.77	2.51	3.18	0.76	1.61	2.36

Previous day's vol., Calls 264 Puts 180. Prev. day's open int., Calls 34,828 Puts 51,063

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Mar	CALLS Jun	CALLS Sep	PUTS Mar	PUTS Jun	PUTS Sep
9350	0.22	0.13	0.11	0	0.16	0.37
9375	0.02	0.04	0.05	0.05	0.32	0.56
9400	0	0.01	0.02	0.28	0.54	0.78

Est. vol. total, Calls 3109 Puts 1945. Previous day's open int., Calls 237498 Puts 186575

■ PHILADELPHIA SE D-MARK/$ OPTIONS DM62,500 ($ per DM)

Strike Price	CALLS Mar	CALLS Apr	CALLS May	PUTS Mar	PUTS Apr	PUTS May
0.590	0.83	1.00	1.33	0.34	0.61	0.85
0.595	0.36	0.74	1.06	0.58	0.89	1.07
0.600	0.22	0.53	0.84	0.90	1.75	1.35

Previous day's vol., Calls 2,794 Puts 2,073. Prev. day's open int., Calls 38,725 Puts 34,506

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	94.42	94.41	-0.02	94.42	94.40	67,292	395,263
Jun	94.20	94.17	-0.04	94.21	94.17	128,571	401,170
Sep	93.99	93.96	-0.04	94.00	93.95	140,436	306,839

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	94.90	94.89	-0.03	94.90	94.88	572	3,981
Jun	94.73	94.73	-0.04	94.74	94.73	415	4,511
Sep	94.53	94.53	-0.05	94.53	94.53	263	1,754

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS Mar	CALLS Apr	CALLS May	CALLS Jun	PUTS Mar	PUTS Apr	PUTS May	PUTS Jun
9675	0.03	0.07	0.09	0.10	0.01	0.04	0.05	0.07
9700	0	0.01	0.02	0.02	0.23	0.23	0.24	0.24
9725	0	0	0	0	0.48	0.47	0.47	0.47

Est. vol. total, Calls 2816 Puts 8363. Previous day's open int., Calls 525808 Puts 314070

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Mar	CALLS Jun	CALLS Sep	PUTS Mar	PUTS Jun	PUTS Sep

BASE LENDING RATES

	%		%		%
Adam & Company	6.00	Duncan Lawrie	6.00	Royal Bk of Scotland	6.00
Allied Irish Bank (GB)	6.00	Exeter Bank Limited	7.00	•Singer & Friedlander	6.00
•Henry Ansbacher	6.00	Financial & Gen Bank	7.00	•Smith & Williamson Secs	6.00
Bank of Baroda	6.00	•Robert Fleming & Co	6.00	Scottish Widows Bank	6.00
Banco Bilbao Vizcaya	6.00	•Guinness Mahon	6.00	TSB	6.00
Bank of Cyprus	6.00	Habib Bank AG Zurich	6.00	United Bank of Kuwait	6.00
Bank of Ireland	6.00	•Hambros Bank	6.00	Unity Trust Bank Plc	6.00
Bank of India	6.00	Heritable & Gen Inv Bk	6.00	Western Trust	6.00
Bank of Scotland	6.00	•Hill Samuel	6.00	Whiteaway Laidlaw	6.00
Barclays Bank	6.00	C. Hoare & Co	6.00	Yorkshire Bank	6.00
Brit Bk of Mid East	6.00	Hongkong & Shanghai	6.00		
•Brown Shipley & Co Ltd	6.00	Investec Bank (UK) Ltd	6.00	• Members of London Investment Banking Association	
Citibank NA	6.00	Julian Hodge Bank	6.00	* In administration	
Clydesdale Bank	6.00	•Leopold Joseph & Sons	6.00		
The Co-operative Bank	6.00	Lloyds Bank	6.00		
		Midland Bank	6.00		

COMMODITIES AND AGRICULTURE

Côte d'Ivoire pins hopes on two projects

By Kenneth Gooding, Mining Correspondent

Côte d'Ivoire, whose economic prosperity depends heavily on cocoa and coffee, hopes two US$1bn projects will propel it into the front ranks of West African mining countries in the early part of the next century.

Falconbridge, the Canadian group, is considering a nickel project at Biankouma, in the west of the country, to produce about 30,000 tonnes a year, according to Mr Mohamed Lamine Fadika, minister of mining and petroleum resources.

Côte d'Ivoire also hopes at last to be able to exploit some of the most extensive iron ore deposits in West Africa, at Mount Nymba and Mount Kalayo.

There is 3bn tonnes of ore in the deposit but it has been considered uneconomic because the iron content is relatively low at between 33 and 46 per cent.

Mr Fadika says the discovery in 1994 of natural gas just offshore in the Atlantic Ocean should change the picture. Gas could be piped 400km from the port of San Pedro to the Mount Nymba deposits and used to transform ore into iron pellets.

His government is talking to a subsidiary of Normandy Mining of Australia, a Chinese metals group and a local state-owned mining entity, Sodemi, about a project to produce 1.5m tonnes of pellets a year.

Mount Nymba is on the border with Guinea, which has had similar difficulties getting a large iron ore project on its side of the border into production. Mr Fadika says his government is talking to Guinea about sharing the cost of a new rail link between the iron ore and nickel fields and San Pedro. This could be used to export the minerals.

Gencor of South Africa has been looking at the Guinea iron ore project and considered a rail link through neighbouring Liberia, a scheme that has not made progress because of Liberia's political problems.

Mr Fadika says Côte d'Ivoire wants to develop mining as a "second economic pillar" to buttress its income from cocoa, of which it is the world leading producer, and coffee, where it ranks seventh.

He hopes both the nickel and iron pellets schemes will be operating by 2002 and will generate employment for 1,500. The nickel project would also benefit from the natural gas pipeline if it was developed.

The government is seeking to attract international mining companies and starting to reform the administrative framework in which the mining and oil industries have to operate.

To date, 23 international mining companies have applied for exploration permits and about $30m was spent on mining exploration in the country last year, mostly looking for gold. The country already has two operating gold mines, producing two tonnes a year.

Several oil projects have been started in Côte d'Ivoire, requiring investment of $1.5bn. Mr Fadika says natural gas will be used primarily to generate electricity and to make butane gas.

It is hoped that a domestic supply of about 30,000 tonnes a year of butane gas would encourage its use and curb the effect of deforestation caused by cutting firewood. At present, households mainly use increasingly rare and expensive timber and charcoal for fuel.

BHP shrugs off cost of Magma

It was difficult not to assume that Mr Burgess Winter's resignation as chief executive of BHP Copper, the world's second biggest copper business, was not entirely voluntary.

Broken Hill Proprietary, Australia's biggest corporation, paid US$2.4bn in January 1996 for Magma Copper of the US and in the process recruited Mr Winter, the US company's president, to take charge of a new division combining BHP's and Magma's copper operations.

The first financial results from the division were a shock. BHP Copper reported a 55 per cent drop in earnings for the first quarter of 1996, saying much of the fall resulted from problems at former Magma operations.

Shareholders at the AGM heard that cash operating costs at the Magma properties had jumped from 68 US cents a pound of copper produced at the time of the takeover, to 85 cents.

When, after less than a year in the job, Mr Winter said he would retire, some observers concluded that he was being pushed out.

Mr Winter laughs at this suggestion and leaves it to his successor, Mr Jim Lewis, a BHP employee for 25 years, to explain. "It was always intended that Burgess would oversee the integration and bed down the new management. It took only 13 months but it could have taken three or four years. There is no substance in suggestions that he is being forced out."

The two men are working together to ensure a smooth transition as Mr Lewis eases into one of the most important executive roles within the BHP group.

For the past three years Mr Lewis, 53, has been executive general manager corporate planning and administration. He insists that the jump in Magma's costs was a temporary phenomenon.

"There is nothing fundamentally wrong with Magma. There are no structural issues." When the half-year results were reported in December, BHP said 2 cents a pound had been cut from US copper production costs. Mr Prescott said Magma had been profitable in the second quarter and results from North America, although "unfavorable", were improving.

Mr Lewis says suggestions that BHP carried out a purge of Magma management are also untrue. Most senior managers kept their jobs, he says, except the chief financial officer, who was replaced by a BHP executive, "but that is what usually happens after a takeover."

The Magma acquisition was one of the most important steps in BHP's recent history. Not only did it make the "big Australian" second only to the state-owned Codelco in Chile as a copper producer, it also gave it a solid base in the US, the world's biggest copper consumer. It also gave BHP some copper smelting capacity for the first time.

"There is nothing fundamentally wrong with Magma. There are no structural issues"
Jim Lewis, BHP Copper chief executive

Mr Winter headed the team that brought Magma back from the dead. It was a loss-making business that was spun off by its parent, Newmont Mining, in 1987 when Magma was the highest cost copper producer in the world, was loaded with debt and had only limited reserves of ore. After dealing with the core cost problem, Mr Winter completed the Magma revival with a new copper-gold mine, the Robinson in Nevada, and a successful $250m offer for Tintaya, Peru's second largest copper producer, when that was privatised.

Nevertheless, BHP has been criticised for buying Magma at the top of the market - when both equity and copper prices were riding high. Mr Lewis shrugs and says: "You buy the asset you want when the asset you want is available. An intelligent acquirer seeks to recover the premium by building the business. That's what we intend to do."

A seven-year plan has been developed for the copper business, "to put us in a cost position to make a satisfactory return at the bottom of the economic cycle."

The plan's objectives could be achieved from organic growth but "we also hope for some opportunistic acquisitions". Mr Lewis acknowledges any purchase would have to be sizeable to warrant BHP's attention.

He says that technology will also play its part in building a bigger BHP Copper. BHP has a big research capability which will be combined with Magma's expertise to build up the group's use of the low-cost solvent-extraction, electro-winning method of producing copper.

The company is also using its metallurgical expertise to develop a process that might result in new ways of making downstream copper products such as rod, wire and sheet.

Mr Lewis says demand for copper has been growing at 3 per cent a year. Admittedly, in 18 months some big new copper projects will come on stream about the same time. "But the plan reflects a sensible view of the industry's cyclicality."

Kenneth Gooding

Fears of Russian strike lift metals

MARKETS REPORT

By Robert Corzine and Kenneth Gooding

Prices soared on the London Metal Exchange yesterday, helped by investment fund buying. Aluminium was at its highest for nearly a year, nickel reached a 8¾-month peak and zinc touched its highest in 4½ years.

The rises were sparked by nervousness in the nickel market about the prospect of a strike at Russia's Norilsk combine, where the union has given the management 10 days to pay back-wages. Late yesterday Norilsk's sales agent, Interrosimplex, said it had received $50m of a $200m credit deal and this would "relieve the situation with payment of current wages and arrears."

Oil prices firmed in late London trading after early falls. Brent Blend for April delivery, the global benchmark, was quoted at $18.89 a barrel in late trading, four cents up on Friday's close. But prices were soft for much of the day after Friday's 50 cent a barrel fall.

On Nymex in New York oil prices were also weak in morning trading, with West Texas Intermediate, the US benchmark, falling below $20 a barrel at one stage to an eight month low.

BP, Shell announce Shetland oil discovery

By Robert Corzine

British Petroleum and Shell have announced a "potentially commercial" oil discovery to the west of the Shetland Islands. The announcement ends a long period of silence about the companies' exploration of the area around their earlier finds at Foinaven and Schiehallion, both of which are now under development.

Mr Richard Olver, deputy chief executive of BP Exploration, said that although the Suilven discovery was encouraging, further work needed to be done to establish whether it was commercially viable. Suilven lies to the north of Foinaven and Schiehallion, and is about 100 miles west of the Shetlands.

The Department of Trade and Industry yesterday said it would offer two new exploration blocks immediately to the north of Suilven. The DTI said it would select companies which were keen to explore the blocks in their entirety, rather than just the parts closest to Suilven.

British Petroleum and Shell have confirmed that they would bid for the blocks, which the DTI said are not subject to a claim by the Faroe Islands.

Talks are continuing between the UK and the Faroese on the future of the nearby contested "white zone," in which a number of oil companies have expressed interest.

Lord Fraser of Carmyllie, the energy minister, said the latest discovery in UK waters "justifies the industry's continuing faith in the prospects for the west of Shetland area and confirms our belief that there are still significant discoveries to be made on the UK Continental Shelf".

Lord Fraser said any development plan would take into account "local environmental sensitivities and the interests of other sea users."

Foinaveo, the first commercial oil field in the area, which is also known as the "Atlantic Margin," is due to come onstream soon.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1660-1	1687.5-8.0
Previous	1622.5-23.5	1650-51
High/low	1645.5	1691/1665
AM Official	1645-5.5	1671-1.5
Kerb close		1690-1
Open int.	280,717	
Total daily turnover	90,365	

■ ALUMINIUM ALLOY ($ per tonne)

Close	1535-40	1557-8
Previous	1523-28	1543-45
High/low		1560/1550
AM Official	1527-32	1549-50
Kerb close		1558-60
Open int.	6,008	
Total daily turnover	1,440	

■ LEAD ($ per tonne)

Close	723-6	705.5-6.0
Previous	723-25	695-6
High/low		706/699
AM Official	718-8.5	700-0.5
Kerb close		702-3
Open int.	39,902	
Total daily turnover	18,970	

■ NICKEL ($ per tonne)

Close	8215-25	8310-20
Previous	7985-90	8075-80
High/low	8120	8320/8075
AM Official	8110-20	8205-10
Kerb close		8300-10
Open int.	50,398	
Total daily turnover	14,513	

■ TIN ($ per tonne)

Close	5795-805	5855-60
Previous	5750-60	5805-10
High/low		5865/5790
AM Official	5745-50	5795-800
Kerb close		5860-70
Open int.	15,921	
Total daily turnover	5,180	

■ ZINC, special high grade ($ per tonne)

Close	1227-8	1240-1
Previous	1205.5-06.5	1225-26
High/low		1240/1217
AM Official	1206-7	1221-1.5
Kerb close		1239-40
Open int.	85,616	
Total daily turnover	19,576	

■ COPPER, grade A ($ per tonne)

Close	2475.5-8.5	2410-11
Previous	2428-31	2372-74
High/low	2455/2450	2415/2377
AM Official	2450-1	2389-90
Kerb close		2407-08
Open int.	136,328	
Total daily turnover	44,291	

■ LME AM Official £/$ rate: 1.6195
LME Closing £/$ rate: 1.6195

Spot: 1.6176 3 mths: 1.6150 6 mths: 1.6118 9 mths: 1.6093

■ HIGH GRADE COPPER (COMEX)

	Latest price	Day's change	High	Low	Vol	Open Int
Mar	115.55	+1.80	116.00	113.80	2,374	9,193
Apr	114.50	+1.70	114.80	114.20	364	3,053
May	112.75	+1.85	113.70	111.00	6,300	25,470
Jun	110.30	+1.20	110.60	110.00	30	974
Jul	108.95	+1.55	109.40	107.90	560	8,837
Aug	107.35	+1.40	105.90	105.90	10	633
Total					9,698	58,721

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	362.50-363.00		
Opening	362.10-362.40		
Morning fix	361.80	222.821	534.089
Afternoon fix	362.15	223.549	533.737
Day's High	362.70-363.00		
Day's Low	361.80-362.10		
Previous close	358.40-358.90		

Loco Ldn Mean Gold Lending Rates (Vs US$)
1 month ....3.98 6 months 4.01
2 months ....3.98 12 months 4.01
3 months 3.98

Silver Fix	p/troy oz.	US cts equiv.
Spot	327.20	530.75
3 months	331.65	537.10
6 months	336.15	543.50
1 year	345.30	556.60

Gold Coins	$ price	£ equiv.
Krugerrand	362.00-364.00	223-225
Maple Leaf	-	-
New Sovereign	85.00-88.00	52-54

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open Int
Mar	363.4	-1.3	366.5	363.5	-	23
Apr	363.6	-1.3	366.0	363.5	52,983	79,150
Jun	366.0	-1.3	369.1	365.5	4,102	24,468
Aug	368.4	-1.3	370.2	368.5	317	10,509
Oct	371.0	-1.3	372.6	371.0	1,028	6,357
Dec	373.8	-1.3	375.2	373.5	2,757	20,526
Total					62,837	189,530

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open Int
Apr	391.8	-4.6	395.5	390.5	4,302	18,954
Jul	393.6	-4.4	397.5	392.5	367	2,980
Oct	395.8	-4.4	395.5	394.5	16	1,383
Jan	397.7	-4.4	-	-	20	1,126
Total					4,705	24,695

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open Int
Mar	154.30	+1.25	154.00	148.00	176	1,907
Jun	156.30	+1.25	157.50	151.00	1,674	9,151
Sep	157.30	+1.25	152.50	152.50	3	680
Dec	158.30	+1.25	-	-	3	180
Total					1,860	11,843

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open Int
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels, $/barrel)

	Latest price	Day's change	High	Low	Vol	Open Int
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Vol	Open Int
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open Int
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open Int
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Vol	Open Int
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ UNLEADED GASOLINE NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open Int
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

GRAINS AND OIL SEEDS

■ WHEAT LIFFE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open Int
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open Int
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Vol	Open Int
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ BARLEY LIFFE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open Int
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open Int
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Vol	Open Int
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Vol	Open Int
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ POTATOES LIFFE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open Int
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ FREIGHT (BIFFEX) LIFFE ($10/index point)

	Sett price	Day's change	High	Low	Vol	Open Int
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jul	1255	-5	1255	1240	13	645
Oct	1390	-10	-	-	-	213
Jan	1405	-10	-	-	-	49
Apr	1405	-10	-	-	-	-
Total					177	2,348

	Close	Prev
BFI	1430	1443

FUTURES DATA
All futures data supplied by CMS.

SOFTS

■ COCOA LIFFE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open Int
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Vol	Open Int
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ COCOA (ICCO) (SDR's/tonne)

	Price	Prev. day
Feb 28		
Daily	1007.58	1014.29

■ COFFEE LIFFE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open Int
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open Int
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ COFFEE (ICO) (US cents/pound)

Feb 28	Price	Prev. day
Comp. daily	121.46	122.14
15 day average	124.30	123.25

■ WHITE SUGAR LIFFE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open Int
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open Int
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open Int
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open Int
Mar	78.00	+2.60	79.40	75.50	2,530	2,408
May	81.80	+2.70	82.40	78.30	3,158	14,335
Jul	84.70	+2.60	85.20	81.60	518	4,821
Sep	87.10	+2.20	87.75	84.25	80	3,433
Nov	89.15	+2.00	89.00	86.40	107	1,040
Jan	91.15	+1.75	92.00	89.10	64	431
Total					6,608	25,734

Tea

The Tea Broker's Association reports strong demand. Landed bright Burundi invoices sold very well with a top price of 270 pence for the best. Good liquoring Kenya teas moved dearer while coloury mediums advanced 4 to 8 pence. Offshore keen competition with prices gaining several pence, particularly coloury dusts. Quotations: this sale landed best available 270p/kg., good 136p/kg., good medium 125p/kg., medium 117p/kg., low medium 95p/kg. nom. The highest price realised this week was 270p for a Burundi pd.

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open interest totals are for all traded months.

INDICES

■ Reuters (Base: 18/9/31 = 100)

Mar 3	Feb 28	month ago	year ago
1968.8	1950.7	1942.4	2128.8

■ CRB Futures (Base: 1967 = 100)

Feb 28	Feb 27	month ago	year ago
242.41	242.72		

■ GSCI Spot (Base: 1970 = 100)

Feb 28	Feb 27	month ago	year ago
191.76	191.76	206.40	199.22

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open Int
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ LEAN HOGS CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open Int
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open Int
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME	Apr	Jul	Apr	Jul
1650	52	90	23	46
1700	27	64	48	69
1750	12	44	82	98
■ COPPER (Grade A) LME	Apr	Jul	Apr	Jul
2300	183	127	10	85
2400	93	81	34	136
2500	42	48	88	204
■ COFFEE LIFFE	May	Jul	May	Jul
1500	189	209	57	99
1550	155	181	83	121
1600	124	157	72	147
■ COCOA LIFFE	May	Jul	May	Jul
800	105	124	1	3
850	62	102	3	6
900	30	82	8	11
■ BRENT CRUDE	Apr	May	Apr	May
1650	10	-		
1950	10	28	-	
2000	-			

LONDON SPOT MARKETS

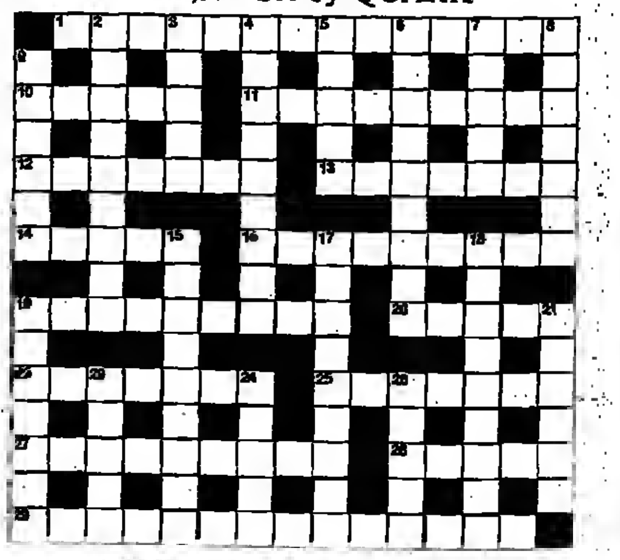
■ CRUDE OIL FOB (per barrel)		+or-
Dubai	$17.05-7.15w	-0.38
Brent Blend (dated)	$19.02-9.04	-0.38
Brent Blend (Apr)	$18.82-8.84	-0.33
W.T.I.	$20.18-0.21w	-0.415
■ OIL PRODUCTS NWE prompt delivery CIF (tonne)		
Premium Gasoline	$207-209	-2
Gas Oil	$159-161	-3
Heavy Fuel Oil	$84-86	
Naphtha	$187-189	-5
Jet fuel	$185-187	-3.5
Diesel	$171-173	-5
■ NATURAL GAS (Pence/therm)		
Bacton (Mar)	10.30	+0.3
Petroleum Argus. Tel. London (0171) 359 8792		
IPE (Apr)	10.35	+0.10
■ OTHER		
Gold (per troy oz)♣	$362.75	+4.10
Silver (per troy oz)♣	533.00c	+6.00
Platinum (per troy oz.)	$387.50	-4.50
Palladium (per troy oz.)	$150.00	-2.50
Copper	120.0c	
Lead (US prod.)	45.00c	
Tin (Kuala Lumpur)	14.19r	-0.05
Tin (New York)	266.50	-3.00
Cattle (live weight)	99.17p	-1.58*
Sheep (live weight)	145.60p	+0.69*
Pigs (live weight)†	81.27p	+0.35*
Lon. day sugar (raw)	$271.70	+1.10
Lon. day sugar (wte)	$311.20	+0.60
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	£109.00	+0.25
Wheat (US Dark North)	Unq	
Rubber (Mar)♥	79.50p	
Rubber (Apr)♥	79.50p	
Rubber (KL RSS No1)	303.0x	
Coconut Oil (Phil)§	785.0y	+5.0
Palm Oil (Malay.)§	577.5x	+2.5
Copra (Phil)§	$490.0y	
Soyabeans (US)	220.0x	+4.0
Cotton Outlook'A' index	80.80	-0.15
Wooltops (64s Super)	418p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. x Mar w Apr y Feb/Mar♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. * Change on week. †Based on 651 head of pigs sold.

JOTTER PAD

CROSSWORD

No.9,315 Set by QUARK



ACROSS
1 Gentle Aunt Ruth unlikely to submit to ordeal (3,3,6)
10 Telling stories on the level? (5)
11 It contains the leaves (9)
12 For one who draws, has art excited the unknown? (7)
13 Student follows up opportunity in church (7)
14 Scene of action in Harare, Nairobi etc? (5)
16 Result of total discharge? (9)
19 I'm left a number of books of great consequence (9)
20 Chief in river coming back in sailing vessel (5)
22 Pampers pets (7)
25 Variety of new coffee? Some say don't take it (7)
27 Such massacres in France in 1792! (9)
28 Better reduce endless changes (5)
29 Study port with perception and put out strong warning (4,3,4,3)

DOWN
2 Character of CD known for servility (5,4)
3 Wild animal row about bit of ground (5)
4 Complaint in which pH may seem out of order (6)
5 The jelly in Celia's picnic hamper (6)
6 Lady meets non-professionals? Not one. It's not unusual (9)
7 I call out the plant (5)
8 "Old hat" society imbibing very quiet drinks (7)
9 Cloth cap turning up in sporting occasion not the first (6)
15 Compact correspondence (9)
17 I pour port out for a mixed gathering (9)
18 A crank without a central axis (9)
19 Iron sickle, only half broken, is a good cutter (7)
21 With it there's finish in rugby score (6)
23 Brownish tint constant in the water (6)
24 Bit of stuff fit for a fur (5)
26 The view of the expert in the newspaper (5)

Solution to Saturday's prize puzzle on Saturday March 15.
Solution to yesterday's prize puzzle on Monday March 17.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

[illegible]

BERMUDA (REGULATED)(**)

[illegible]

GUERNSEY (SIB RECOGNISED)

[illegible]

GUERNSEY (REGULATED)(**)

[illegible]

IRELAND (SIB RECOGNISED)

[illegible]

IRELAND (REGULATED)(**)

[illegible]

ISLE OF MAN (SIB RECOGNISED)

[illegible]

ISLE OF MAN (REGULATED)(**)

[illegible]

JERSEY (SIB RECOGNISED)

[illegible]

JERSEY (REGULATED)(**)

[illegible]

Offshore Funds and Insurances

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LUXEMBOURG (SIB RECOGNISED)

ABN AMRO Funds (c)

Fidelity Funds - Contd.

Fleming Group (d)

Mercury Asset Management S.A. - Contd.

ACM Global Investment - Contd.

Credis Investment Funds - Contd.

Merrill Lynch Asset Management - Contd.

Southern International SICAV

State Street Luxembourg SA

LUXEMBOURG (REGULATED)(**)

OFFSHORE INSURANCES

FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

OTHER OFFSHORE FUNDS

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

BANKS, RETAIL

BREWERIES, PUBS & REST

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

CHEMICALS - Cont.

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ENGINEERING

ENGINEERING - Cont.

ENGINEERING - Cont.

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

EXTRACTIVE INDUSTRIES - Cont.

FOOD PRODUCERS

GAS DISTRIBUTION

HEALTH CARE

HOUSEHOLD GOODS

INSURANCE

INSURANCE - Cont.

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INV TRUSTS SPLIT CAPITAL

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

LEISURE & HOTELS

LIFE ASSURANCE

MEDIA

MEDIA - Cont.

OIL EXPLORATION & PRODUCTION

OIL, INTEGRATED

OTHER FINANCIAL

PAPER, PACKAGING & PRINTING

PHARMACEUTICALS

PROPERTY

PROPERTY - Cont.

RETAILERS, FOOD

RETAILERS, GENERAL

RETAILERS, GENERAL - Cont.

SUPPORT SERVICES

SUPPORT SERVICES - Cont.

TELECOMMUNICATIONS

TEXTILES & APPAREL

TEXTILES & APPAREL - Cont.

TOBACCO

TRANSPORT

WATER

AIM

AIM - Cont.

AMERICANS

CANADIANS

SOUTH AFRICANS

	Notes	Price	+ or -	52 week high	52 week low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		£24¾	—	*£31¼	£20¼	1,988	3.1	ф
Barlow		£6¹⁄₃₂xd	-⅜	£9¾	£5¼	1,311	2.3	13.3
East Rnds Prop R	†	125	-2½	171½	120	13.8	8.6	10.0
MK Props		66	—	92	80	2.81	13.6	–
SASOL		645	—	710	523	3,777	1.7	–
SA Brews		£78¼xd	+⅛	£24¼	£13¼	5,456	1.9	ф
Standard Bank		£25⅛	-⅜	£31¼	£21	3,004	1.5	22.2
Tiger Oats		790	—	1150	770	1,188	2.3	15.5
Tongaat-Hulett		788¼	+9½	1125	676¼	719.7	2.4	ф

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service are delivered by Extel, part of Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name. Prices shown for some of these foreign securities are converted into sterling from latest available local Stock Exchange prices.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR 'Headline Earnings'formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- * Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ф Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- †† Rule 4.2(a) Irish incorporated non-listed companies.
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend. b Figures based on prospectus or other official estimates. g Assumed dividend yield after rights issue. h Assumed dividend yield after scrip issue. n Rights issue pending. q Earnings based on ... i Indicated dividend yield, p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings. z Dividend yield includes a special payment.

F Yield based on prospectus or other official estimates for 1996-97. G Assumed yield after pending scrip and/or rights issue. H Yield based on prospectus or other official estimates for 1997. ... L Estimated annualised yield, p/e based on latest annual earnings. M Yield based on prospectus or other official estimates for 1995-96. N Dividend is paid in whole or part as a ...

FD (Foreign Income Dividend) R Forecast annualised yield, p/e based on prospectus or other official estimates. W Pro forma figures. Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

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The share prices printed on these pages are also

LONDON STOCK EXCHANGE

Shares rally despite more US rate concerns

MARKETS REPORT

By Steve Thompson, UK Stock Market Editor

A fresh bout of interest rate jitters, mostly in the US, but also in the UK, saw stock markets on both sides of the Atlantic suffering hefty initial losses. But both recovered strongly during UK market hours.

UK equities were initially affected by the aftermath of last week's by-election in Wirral South, which saw a 17 per cent plus swing to Labour, a move which would see a Labour government with a comfortable majority in a general election.

But two big share buy-backs in utilities, plus another burst of takeover speculation in the composite insurance sector and elsewhere, helped the London market regain its composure after a rather difficult start.

At the close of a busy session, the FTSE 100 was left only 1.2 lower at 4,307.1, comfortably clear of the 4,300 level which it lost throughout the morning and early afternoon.

The second-line stocks fared much better than the leaders, however. The FTSE 250 was never really under pressure and settled 0.1 firmer at 4,654.5, while the FTSE SmallCap index spent most of the day in positive territory before sliding late in the session and closing a net 2.5 down at 2,351.4.

The SmallCap was handicapped by a handful of exceptionally weak performers such as JKX Oil & Gas, Tunstall and PPL Therapeutics – which fell between 16 and 34 per cent.

Share prices were under pressure from the outset, with marketmakers chopping their opening prices after the weak closing performance of Wall Street last Friday when the Dow Jones Industrial Average finished the day 47 points lower.

A long list of economic news did little or no damage to sentiment in the market. The UK Purchasing Managers index for February, at 53.5, was below forecasts, but still showed growth in the economy, while the money supply statistics were also below estimates.

Economic news from the US showed the NAPM higher than expected and that triggered a poor opening to Wall Street where the Dow fell more than 40 points before staging a strong recovery.

Some market observers are growing increasingly uneasy about the possibility of the US Federal Reserve increasing interest rates on March 25, when its monetary policy committee next meets.

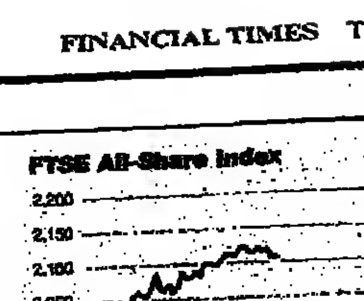
Few expect Mr Kenneth Clarke, the chancellor of the exchequer, to increase UK rates after his regular monthly meeting with Mr Eddie George, governor of the Bank of England, tomorrow.

Banking stocks, which have spearheaded the market's drive to new highs recently, moved in the opposite direction yesterday, with NatWest tumbling on the revelation of big losses in its interest rate derivatives activities.

Turnover at 6pm was 1,468.3m shares, boosted by the Southern Electricity and Yorkshire Water buy-backs.

Customer business on Friday was valued at £3.1bn.

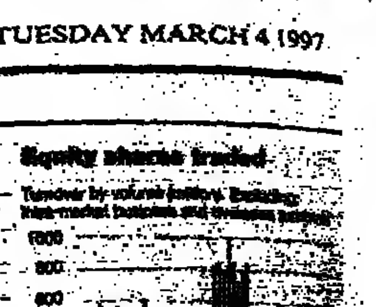
FTSE All-Share Index



Source: Datastream

Equity shares traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



Indices and ratios

FTSE 100	4307.1	-1.2	FT 30	2845.8	-1.7
FTSE 250	4654.5	+0.1	FTSE Non-Fins p/e	18.51	18.51
FTSE 350	2133.5	-0.5	FTSE 100 Fut Mar	4291.0	+6.0
FTSE All-Share	2107.27	-0.59	10 yr Gilt yield	7.26	7.28
FTSE All-Share yield	3.57	3.58	Long gilt/equity yld ratio	2.08	2.01

Best performing sectors

1 Insurance +1.5
2 Tobacco +1.4
3 Electricity +1.2
4 Diversified Inds +0.8
5 Transport +0.8

Worst performing sectors

1 Banks, Retail -1.3
2 Oil Exploration & Prod -1.0
3 Gas Distribution -0.8
4 Food Producers -0.7
5 Health Care -0.6

Bid talk boosts Southern

By Peter John, Lisa Wood and Steve Thompson

Southern Electric, the last remaining independent regional electricity company, or rec, put on a surprisingly sprightly performance yesterday.

Part of the 7 per cent jump related to the start of the company's innovative share buy-back yesterday. This involved almost 424m 'B' shares priced at 30p and representing £127m. It was set up to avoid advance corporation tax.

However, the rise of 30 to 428½p more than compensated for the structural changes and dealers pointed to some genuine takeover talk.

No names were being touted around the market, but analysts and dealers said that even after the rise the stock was not expensive. They added that the market might have decided an incoming Labour government was no longer concerned about the last rec losing its independence.

They also pointed out that while Southern had risen, the other share buy-back stock, Yorkshire Water, had fallen 2¼ to 355½p, albeit in a dull sector. Yorkshire traded 357m 'B' shares.

National Westminster was showing a fall of 45p at one stage as the market reacted to news late on Friday that the securities arm would take a £50m hit over rogue trading.

But the fall was less dramatic than it first appeared. It included the impact of the stock releasing a 19p net dividend and was, in any case, pared back to an overall closing fall of only 7½ to 731½p xd.

Analysts said the financial impact of the £50m hit would be easily absorbed and the shares were now cheap. Panmure Gordon pointed out that the stock was trading at only 8.8 times current-year earnings forecast.

Standard Chartered gained 24½ to 866p with HSBC James Capel recommending the shares and with encouragement following an upgrade by Lehman Brothers at the end of last week.

Shares in Maid, the online business information group, were trading 8 to 9p better for much of the session until a sudden flurry of selling simultaneously hit a number of marketmakers, causing a sharp fall in the share price.

Maid shares suffered a similar fate some weeks ago when the company complained of a concerted bear raid on its shares.

Some market observers claimed that the same bear raiders that hit the stock previously were still running a short position. Maid is scheduled to announce results next Thursday.

Commercial Union shot to the top of the Footsie league table yesterday on the back of highly speculative takeover talk emanating from the options market.

Analysts were surprised to see the share price leap 38 to 721p on well-tried stories that a European insurer might be taking a close look at the company. The stories have been heard before and CU was keen to discount them late last week.

Yesterday, traders believed that CU options, which provide a highly geared entry into big market moves, were being heavily dealt. Nevertheless, this was not borne out by the facts as only 364 options – the equivalent of 0.36m shares – changed hands.

Zeneca and BT gained ground after UBS added the stocks to its Europe Focus list. Zeneca was particularly strong as the shares were hard hit on Friday after the US Food and Drug Administration issued a warning following an inspection at one of its Zeneca's UK plants. The shares jumped 31½ to 1836½ while BT added 2 at 427¼p.

Water stocks were dampened by news of an outbreak of contamination in south-east England. There was also pressure from comments by Mr Ian Byatt, the official regulator, who said customers rather than shareholders would get the lion's share of efficiency savings.

In the electricity sector, Scottish Hydro improved 4¼ to 360p as NatWest Securities reiterated its positive stance.

Emap, the publishing and media group, suffered in the wake of a story in one of the Sunday newspapers, which claimed one of the group's directors Mr Tom Maloney was about to leave the company. This was rubbished by an Emap spokesman: "There is absolutely no truth whatsoever in the story," he said.

Recruitment company Michael Page lifted 55 to 550p after US group Interim Services made an agreed cash offer worth about £348m.

SIG, the builders merchant, rose 11½ to 311p following the announcement of the conditional sale of its security and hardware division to a management buy-out. The consideration is £65m, including repayment of inter-company debt. SIG said that it had made good progress during 1996 and the 1997 start had been "encouraging". Screen, the electronic security group, enjoyed a buoyant start to first-day dealings on AIM. The shares placed at 3p each closed at 4p, valuing the company at £7.3m.

Profit-taking continued in Unilever, which fell 29 to 1547½p. One analyst said that European investors, who had never been as enthusiastic about the stock as US investors, had initiated the move.

"Cracking" was how one analyst described results which were ahead of expectations from Millennium & Copthorne. Analysts in unison upgraded full-year forecasts.

Mr Greg Feehely, leisure analyst at Dresdner Kleinwort Benson, reiterated his "buy" recommendation on the hotel chain, which has 53 per cent of its room stock in either London or New York. He said that opportunities within the existing estate were significant and at this stage he believed that organic, rather than acquired, growth would be the main engine for 1997. Millennium rose 6¾ to 383p.

Granada Group rose 17¾ to 926½p, mainly on the announcement that it was selling the Plaza Athenee Hotel in Paris to PA Holdings France for £45m. The book value was £41.8m.

Kingfisher was one of the best performers on the FTSE 100, rising 13¾ to 690½p on the back of two brokers reiterating their "buy" recommendation on the stock which reports its annual results on March 19th.

UBS said that the store sector would rally ahead of results from a number of players this month and it reiterated its "buy" recommendation for Kingfisher, Argos and Next.

Ms Victoria Melendez, retail analyst at Morgan Stanley, repeated her recommendation for Kingfisher, targeting a share price of 773p.

FT 30 INDEX

	Mar 3	Feb 28	Feb 27	Feb 26	Feb 25	Yr ago	*High	*Low
FT 30	2845.8	2847.5	2870.8	2863.7	2881.1	2791.3	2885.2	2669.8
Ord. div. yield	3.97	3.96	3.94	3.95	3.92	3.84	4.22	3.78
P/E ratio net	17.50	17.53	17.66	17.62	17.72	16.98	17.86	15.80
P/E ratio nil	17.26	17.32	17.44	17.40	17.50	16.75	17.63	15.71

FT 30 since compilation: high 2885.2 18/04/96; low 49.4 26/06/40. Base Date: 1/7/35.

FT 30 hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2837.8	2835.5	2836.8	2836.3	2839.1	2839.5	2839.2	2839.2	2843.4	2846.9	2833.4

	Mar 3	Feb 28	Feb 27	Feb 26	Feb 25	Yr ago
SEAQ bargains	50,361	46,175	45,062	49,238	49,310	36,845
Equity turnover (£m)†	-	3101.5	2898.5	2503.9	2247.8	1471.5
Equity bargains†	-	41,371	44,713	43,296	44,211	44,762
Shares traded (mil)†	-	926.0	823.5	850.3	724.7	801.4

†Excluding intra-market and overseas turnover.

	Mar 3	Feb 28	Feb 27	Feb 26	Feb 25	Yr ago	*High	*Low
FTSE AIM	1133.9	1134.3	1133.9	1132.8	1135.0	968.2	1140.4	965.7

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London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	635	Total Highs	132	Total contracts	23,344
Total Falls	570	Total Lows	39	Calls	10,125
Same	1,266			Puts	13,219

Mar 3 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

FTSE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	4270.0	4291.0	+6.0	4298.0	4270.0	10571	39256
Jun	4290.0	4311.0	+6.5	4312.5	4290.0	1904	7621
Sep	4329.5	4336.5	+5.5	4329.5	4329.5	100	2187

FTSE 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	-	4659.0	-1.0	-	-	0	6426

FTSE 100 INDEX OPTION (LIFFE) (*4305) £10 per full index point

	4150 C	4150 P	4200 C	4200 P	4250 C	4250 P	4300 C	4300 P	4350 C	4350 P	4400 C	4400 P	4450 C	4450 P	4500 C	4500 P
Mar	160	11½	114½	18	75	32	44	50½	21½	80	8½	117½	2	164	1	214
Apr	190	36½	142½	49½	109	65	78	84½	55½	112	35	143½	20½	179½	12	229
May	206½	58½	169	68	136	85½	103	103½	79	131	58½	159	41½	193	22	230
Jun	233	73½	199	88½	167½	106½	136½	126	79	150	58½	178	41½	207	27	241½
Dec†			305	145			243	182½			193	232½			146	267

Calls 3,882 Puts 1,895

EURO STYLE FTSE 100 INDEX OPTION (LIFFE) £10 per full index point

	4125 C	4125 P	4175 C	4175 P	4225 C	4225 P	4275 C	4275 P	4325 C	4325 P	4375 C	4375 P	4425 C	4425 P	4475 C	4475 P
Mar	147½	9½	131	15	91	25½	57	41	31	65	13½	97	5½	138½	1½	186
Apr	200	33½	162	45	126	58½	92	74	65	97	42	123½	25½	156½	14	194½
May	221	40	183½	61	148½	75½	117½	94	91	116½	68	143½	46½	174	34	208
Jun	252½	69½	216½	83	182½	98	156	114½	121	134½	95½	158½	74	186½	56	216
Sept†	304½	93½			238½	130½			180	189			131	216½		

Calls 1,387 Puts 4,805 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m)	1996/97 High	Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
§100	F.P.	3.40	111½	108½	†Anglo-Welsh	111½		L2.4	-	2.7	-
§125	F.P.	23.5	148½	121½	†Aortech	136½		-	-	-	-
§	F.P.	8.97	180	128½	†C&B Publishing	175		-	-	-	-
§	F.P.	1.80	1½	½	†Do Warrants	1		-	-	-	-
75§	F.P.	2,821	77½	55	Centrica	63¾	-2	-	-	-	-
§250	F.P.	931	315	305	Core Group	310		-	-	-	-
525	F.P.	2,743	570½	520	Energy Group	533½	+3	W21.0	2.5	5.0	10.2
§26	F.P.	6.10	31½	29½	Howdn	31½		-	-	-	1.7
§125	F.P.	26.6	150	141½	†Hotelpark Intl	149½	+½	-	-	-	-
§140	F.P.	21.8	170	164½	Nord Anglo Ed	170	+½	W3.02	1.6	2.3	18.0
§	F.P.	88.9	292½	280	PSD (A/L)	285	+1½	5.43	2.4	2.4	22.2
§	F.P.	7.70	4	3¾	†Screen			-	-	-	16.5
-	F.P.	12.4	61½	47½	TH Euro Gwth Wts	57½		-	-	-	-
§100	F.P.	5.30	105	99	Tea Plantations	102		-	-	-	-
§	F.P.	24.9	128½	105	Technoprfast	105½	-5½	-	-	-	-
540	F.P.	5.93	43½	40½	TVG	41½	+1	-	-	-	26.2

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

FT GOLD MINES INDEX

	Feb 28	% chg on day	Feb 27	Year ago	Gross div yield %	P/E ratio	52 week High	Low
Gold Mines Index (32)	1907.49	+0.1	1906.04	2327.44	1.82	-	2405.53	1674.61
Regional Indices								
Africa (14)	2293.21	-1.7	2333.56	3094.33	3.90	34.25	3252.16	1918.45
Australasia (6)	2089.16	+0.5	2078.45	2862.93	2.61	22.87	2861.03	1941.72
North America (12)	1780.66	+0.8	1767.13	2061.91	0.52	66.38	2134.81	1550.58

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FTSE Actuaries Share Indices — The UK Series

Produced in conjunction with the Faculty and Institute of Actuaries

	Mar 3	Day's chge%	Feb 28	Feb 27	Feb 26	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FTSE 100	4307.1	----	4308.3	4339.2	4329.9	3777.1	3.70	2.09	16.16	18.14	1809.53
FTSE 250	4654.5	----	4654.4	4663.0	4660.7	4272.2	3.37	1.50	24.67	11.97	1912.81
FTSE 250 ex IT	4698.0	----	4697.2	4703.3	4700.1	4293.2	3.46	1.53	23.69	11.65	1935.20
FTSE 350	2133.5	----	2134.0	2146.9	2142.8	1889.0	3.63	1.97	17.47	8.24	1830.68
FTSE 350 Higher Yield	2047.4	----	2048.4	2056.1	2055.0	1882.5	4.76	1.87	14.08	5.98	1480.82
FTSE 350 Lower Yield	2227.1	----	2227.0	2245.4	2238.1	1901.0	2.51	2.17	22.92	10.67	1572.04
FTSE SmallCap	2351.37	-0.1	2353.90	2358.22	2353.35	2069.46	2.91	1.66	25.84	6.83	1870.39
FTSE SmallCap ex IT	2362.54	-0.1	2364.76	2365.21	2362.03	2050.17	3.07	1.74	23.42	6.72	1894.13
FTSE All-Share	2107.27	----	2107.86	2119.74	2115.81	1864.59	3.57	1.95	17.93	7.98	1835.44

FTSE Actuaries Industry Sectors

	Mar 3	Day's chge%	Feb 28	Feb 27	Feb 26	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(20)	3962.11	-0.4	3978.42	4016.56	4004.71	3270.97	3.78	2.10	15.75	15.36	1743.83
12 Extractive Industries(5)	4019.70	+0.3	4007.05	4051.24	4027.16	4204.61	4.03	2.33	13.31	0.00	1198.07
15 Oil, Integrated(3)	4062.59	-0.4	4080.67	4119.46	4113.02	3306.01	4.01	2.08	15.01	20.17	1838.63
16 Oil Exploration & Prod(12)	3442.53	-1.0	3478.81	3508.42	3471.01	2241.46	1.58	1.79	44.22	0.00	2087.12
20 GEN INDUSTRIALS(272)	1997.68	+0.2	1993.55	1998.90	1988.96	2063.15	3.94	1.68	18.84	4.41	1120.20
21 Building & Construction(35)	1365.84	-0.3	1369.07	1369.82	1363.20	1114.37	3.01	1.70	24.40	1.54	1167.47
22 Building Matls & Merchs(32)	1875.73	+0.1	1873.53	1877.10	1871.16	1933.42	4.25	2.54	11.61	0.44	969.62
23 Chemicals(26)	2326.33	-0.6	2339.72	2345.72	2341.74	2578.94	4.49	1.42	19.56	22.49	1140.24
24 Diversified Industrials(16)	1459.54	+0.8	1448.03	1449.93	1451.67	1790.22	4.91	1.61	15.80	4.02	846.51
25 Electronic & Elect Equip(39)	2261.76	+0.6	2247.75	2262.47	2234.82	2360.90	3.46	1.34	26.91	1.47	1201.96
26 Engineering(70)	2555.56	+0.4	2546.46	2551.72	2532.26	2341.19	3.23	2.40	16.14	8.75	1583.57
27 Engineering, Vehicles(13)	2655.37	----	2654.10	2658.50	2640.72	2664.95	3.80	1.71	19.21	0.25	1506.27
28 Paper, Pckg & Printing(27)	2508.27	-0.2	2513.41	2529.63	2537.39	2739.44	4.16	1.79	16.83	0.00	1069.93
29 Textiles & Apparel(14)	1077.62	+0.1	1076.35	1077.10	1076.49	1489.14	6.52	1.29	14.83	2.25	883.25
30 CONSUMER GOODS(85)	4089.92	-0.1	4093.93	4120.47	4111.52	3641.41	3.55	1.90	18.53	12.96	1551.83
32 Alcoholic Beverages(7)	2712.82	-0.3	2721.36	2756.86	2749.48	2823.06	4.78	1.87	14.06	31.26	1016.17
33 Food Producers(25)	2812.00	-0.7	2831.70	2859.85	2862.99	2668.05	3.87	1.80	17.98	5.51	1304.04
34 Household Goods(17)	2659.09	-0.2	2665.41	2683.61	2683.37	2519.04	3.53	2.26	15.70	1.06	1154.37
36 Health Care(16)	2244.75	-0.6	2258.29	2267.27	2267.14	1873.04	2.68	1.89	25.16	4.13	1389.50
37 Pharmaceuticals(18)	6403.39	-0.1	6408.50	6438.49	6385.93	5179.14	2.67	1.84	25.39	14.48	2217.66
38 Tobacco(2)	4549.84	+1.4	4488.36	4489.62	4556.03	4841.11	5.70	2.13	10.32	0.00	1171.66
40 SERVICES(273)	2685.30	+0.3	2676.07	2683.43	2691.23	2367.15	2.83	1.98	22.38	7.96	1428.33
41 Distributors(30)	2739.09	-0.1	2741.24	2768.91	2763.92	2852.48	3.11	1.99	20.19	0.88	1030.09
42 Leisure & Hotels(31)	3514.38	+0.6	3492.77	3527.39	3525.51	2940.32	2.57	1.67	29.07	20.40	1923.69
43 Media(44)	4341.46	+0.5	4319.66	4349.74	4342.21	3893.38	2.20	2.12	26.87	11.55	1594.51
44 Retailers, Food(15)	1944.32	+0.3	1939.45	1956.58	1942.60	1899.34	4.07	2.31	13.31	4.26	1269.68
45 Retailers, General(53)	2121.04	+0.4	2111.87	2124.25	2123.55	1965.71	3.07	2.02	20.11	7.10	1243.27
47 Breweries, Pubs & Rest.(22)	3404.62	-0.1	3409.69	3416.74	3415.36	3007.93	3.19	2.10	18.68	17.09	1679.47
43 Support Services(56)	2991.94	-0.1	2995.55	3027.92	3031.41	2132.74	1.71	2.46	29.68	1.69	1932.74
49 Transport(22)	2868.88	+0.8	2850.59	2857.54	2868.78	2393.70	3.36	1.26	29.63	6.35	1229.07
60 UTILITIES(31)	2716.15	+0.4	2704.29	2729.30	2730.26	2494.43	4.84	1.49	16.94	5.34	1234.40
62 Electricity(10)	2890.41	+1.2	2856.86	2871.96	2870.41	2778.41	5.86	2.20	6.89	22.06	1596.49
64 Gas Distribution(2)	1576.30	-0.8	1589.76	1640.23	1623.41	1591.45	7.74	‡	‡	0.00	862.51
66 Telecommunications(8)	2287.77	+0.6	2274.65	2293.55	2305.42	2068.22	3.65	1.58	21.88	0.38	1080.20
68 Water(11)	2513.08	-0.5	2526.78	2536.41	2518.44	2127.81	5.98	2.31	9.04	0.00	1453.48
69 NON-FINANCIALS(681)	2158.20	+0.1	2153.24	2167.21	2162.97	1972.24	3.62	1.96	18.51	6.10	1686.55
70 FINANCIALS(106)	3895.84	-0.6	3920.23	3928.82	3921.81	2980.14	3.61	2.37	14.61	29.27	1732.41
71 Banks, Retail(8)	5651.95	-1.3	5724.84	5739.58	5743.16	4187.28	3.54	2.66	13.28	68.60	1912.91
73 Insurance(18)	1754.47	+1.5	1728.93	1726.90	1699.73	1431.34	4.81	2.15	12.08	4.50	1363.12
74 Life Assurance(7)	4586.49	+0.3	4574.10	4608.12	4575.76	3586.59	3.51	2.13	16.72	0.00	1950.01
77 Other Financial(29)	3230.35	-0.5	3248.06	3241.29	3247.92	2642.00	3.02	2.03	20.40	9.29	1893.78
79 Property(44)	1897.28	+0.1	1896.05	1898.70	1900.77	1452.60	3.37	1.33	28.00	3.31	1201.31
80 INVESTMENT TRUSTS(127)	3326.12	-0.1	3330.34	3354.61	3354.66	3154.28	2.17	1.12	51.73	10.12	1181.78
89 FTSE All-Share(914)	2107.27	----	2107.86	2119.74	2115.81	1864.59	3.57	1.95	17.93	7.98	1835.44
FTSE Fledgling	1336.69	----	1336.16	1336.41	1337.44	1157.48	2.90	0.56	77.54	4.33	1426.91
FTSE Fledgling ex IT	1358.94	+0.1	1357.96	1359.89	1358.81	1158.23	3.13	0.49	80.00†	4.48	1453.02

Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FTSE 100	4293.4	4280.6	4293.6	4291.3	4298.4	4299.7	4300.6	4298.6	4304.9	4307.1	4287.3
FTSE 250	4654.3	4652.4	4651.5	4651.8	4651.1	4651.4	4652.9	4652.2	4652.9	4654.5	4651.0
FTSE 350	2128.1	2126.9	2128.0	2127.1	2129.8	2130.3	2130.8	2130.1	2132.5	2133.5	2125.6

Time of FTSE 100 Day's high: 4:30 PM Day's low: 8:49 AM. FTSE 100 1996/97 High: 4357.4 (19/02/97) Low: 3632.3 (24/12/96).

FTSE 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	1305.2	1303.4	1302.0	1301.8	1301.9	1301.8	1301.8	1301.7	1301.3	1301.3	1305.5	-4.2
Pharmaceuticls	6302.3	6306.6	6318.1	6314.0	6323.9	6324.1	6324.1	6311.0	6313.7	6316.8	6318.1	-1.3
Water	2518.3	2517.4	2517.1	2507.3	2504.5	2501.1	2500.6	2502.8	2505.7	2506.1	2519.1	-13.0
Banks, Retail	5718.1	5711.0	5704.3	5675.0	5696.3	5705.8	5705.4	5703.7	5719.8	5724.1	5797.8	-73.8

For further information on the FTSE Actuaries Share Indices please contact FTSE International on 0171 448 1810. The FTSE Actuaries Share Indices are calculated in accordance with a standard set of ground rules established by FTSE International in conjunction with the Faculty of Actuaries and the Institute of Actuaries. "FT-SE" and "Footsie" are trade marks of the London Stock Exchange and The Financial Times and are used by FTSE International under licence. † Sector P/E ratios greater than 80 and net covers greater than 30 are not shown. ‡ Values are negative.

FTSE INTERNATIONAL

TRADING VOLUMES

Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
3i†	708	511½	+1½
ASDA Group†	4,800	111¾	
Abbey National†	2,200	749½	-8
Amtours	13	1003½	
Albert Fisher	1,300	42½	-½
Allied Domecq†	2,000	432½	-4½
Anglian Water	351	669	-1½
Argos†	479	682½	+8½
Arjo Wiggins	138	181	-2½
Assoc. Brit. Foods†	175	487	
Assoc. Brit. Ports	344	318½	+6½
BAT Inds.†	[illegible]	[illegible]	[illegible]
BAA†	[illegible]	[illegible]	[illegible]
BICC	[illegible]	[illegible]	[illegible]
BOC†	[illegible]	[illegible]	[illegible]
BG†	[illegible]	[illegible]	[illegible]
BPB	[illegible]	[illegible]	[illegible]
BSkyB†	[illegible]	[illegible]	[illegible]
BTR†	[illegible]	[illegible]	[illegible]
BT†	[illegible]	[illegible]	[illegible]
Bank of Scotland†	[illegible]	[illegible]	[illegible]
Barclays†	[illegible]	[illegible]	[illegible]
Bass†	[illegible]	[illegible]	[illegible]
Blue Circle†	[illegible]	[illegible]	[illegible]
Booker	[illegible]	[illegible]	[illegible]
Boots†	[illegible]	[illegible]	[illegible]
Britannic	[illegible]	[illegible]	[illegible]
Brit. Aerospace†	[illegible]	[illegible]	[illegible]
British Airways†	[illegible]	[illegible]	[illegible]
British Biotech	[illegible]	[illegible]	[illegible]
British Energy	[illegible]	[illegible]	[illegible]
British Land	643	533½	+1
British Steel†	3,600	151½	+1
Burmah Castrol†	209	1029	+4½
Burton†	3,000	157¾	+7½
Cable & Wire†	1,800	502½	+4
Cadbury Schweppes†	2,300	508½	-1½
Caradon	2,700	273	
Carlton Comms.†	1,700	541½	+17
Centrica†	6,800	63¾	-2
Chubb	1,100	423½	-2
Coats Viyella	1,300	130½	+½
Comm. Union†	2,800	721	+38
Compass	408	732½	-2½
Cookson	4,000	232	-3
Courtaulds	160	383	-2½
Dalgety	75	329½	-½
De La Rue	830	820	-3½
Dixons†	978	531	-4
EMAP	801	749½	-20½
EMI†	783	1161½	+7½
Electrocomps	321	400	
Energy Group†	2,600	528½	+3
Enterprise Oil†	353	614	-5
FKI	179	185½	+½
Foreign & Col. I.T.	643	157½	
Gen. Accident†	925	837	+1
General Elect.†	2,300	377½	+6
Glaxo Wellcome†	1,800	1044	+4
Glynwed	1,100	289	+8½
Granada†	1,900	926½	+17¾
Grand Met.†	3,800	453½	
GUS†	1,500	660	+8½
Greenalls	122	555	-1½
GRE†	2,400	282½	+6½
GKN†	383	948	+7½
Guinness†	3,500	457	-1½
HSBC (75p shs)†	2,500	1582	-38
Hammerson	42	441	
Hanson†	2,800	275	-1½
Harrisons Crosfield	206	131	
Hays†	1,200	537	-14
Hillsdown	1,100	195½	+5
Hyder	483	830	-1½
IMI	335	362½	+2½
ICI†	1,400	738xd	
Imperial Tobacco†	1,600	423½	-1
Inchcape	2,200	265¼	-½
Johnson Matthey	72	538½	-½
Kingfisher†	8,800	690½	+13½
Kwik Save	19	305½	
Ladbroke†	1,700	229	-3
Land Securities†	198	790½	-½
Laporte	138	646	+1½
Legal & General†	1,200	382½	+1
Lloyds TSB†	9,600	502	-6½
LASMO†	375	239½	-2
Lonrho	930	145½	+2
LucasVarity†	549	203	-1
MEPC	92	465½	
MFI	193	167	
Marks & Spencer†	4,800	487½	+7½
Mercury Asset Man†	124	1344	+½
Morrison (Wm.)	88	180	
NFC	1,800	171½	-1
NatWest Bank†	9,800	731½xd	-7½
National Grid†	1,400	209½	-1
National Power†	2,000	495	+4
Next†	513	598½	+3½
Northern Foods	1,100	215	
Orange†	382	209	-2½
Pearson†	543	778½	+6½
P & O†	3,000	658½	-4½
Pilkington	1,800	142	-8
PowerGen†	581	623	+7
Premier Farnell	339	481½	-15
Provident Financial	527	562½xd	-7½
Prudential†	2,800	570	+2
REXAM	1,300	328	+½
RMC†	164	959	+6½
RTZ†	1,600	938	+½
Racal	346	289	-3½
Railtrack†	2,800	463½	+10
Rank Group†	2,900	422	+8
Reckitt & Colman†	542	781½	-3½
Redland	2,800	364½	+4½
Reed Intl.†	849	1137½	-3
Rentokil Initl†	1,400	449	-2
Reuters†	1,300	653½	-3½
Rolls Royce†	1,300	234½	+1½
Royal & Sun Allce†	1,600	494½	+1
Royal Bk Scotland†	2,300	584½	+7
Safeway†	1,000	385	+2
Sainsbury†	1,300	306	
Schroders†	53	1682½	-7
Scottish & New.†	985	673½	-2½
Scot. Hydro-Elect.	372	360	+4¼
Scottish Power†	935	357	+8
Sears	1,600	82	
Securicor	428	312½	
Sedgwick	422	126½	-½
Severn Trent†	814	711½	-3½
Shell Transport†	1,600	1097	-8½
Siebe†	263	969½	
Slough Ests	129	268	
Smith (W.H.)	352	464½	-2
Smith & Nephew†	2,000	191	-1½
SmKl Beecham†	1,800	904	-10
Smiths Inds.†	480	775	+4½
Southern Elect	448	428½	+30
South West Water	66	689	+½
Stagecoach	45	705	
Standard Chartd.†	2,700	866	+24½
Storehouse	2,600	279	-3
T&N	293	161½	
TI Group†	1,500	531	+1½
Tarmac	825	102	-½
Tate & Lyle†	290	439½	
Taylor Woodrow	317	192	-½
TeleWest Comms	1,100	120½	+1½
Tesco†	2,500	340½	+1½
Thames Water†	475	685	-3
Thorn	2,800	187½	-3
Tomkins†	1,800	284	+½
Unigate	547	465	-1
Unilever†	1,800	1547½	-29
United Biscuits	309	240½	-½
Utd. News & Media†	512	707	-1
United Utilities†	624	651	-6½
Vodafone†	2,800	294	+2½
WPP	1,700	265	+4
Wessex Water	132	381	-1½
Whitbread†	785	799	+14½
Williams Hldgs.	1,700	318	-½
Willis Corroon	643	153	+½
Wimpey	160	139	-½
Wolseley†	358	472½	
Yorkshire Elect	1,300	894	
Yorkshire Water	690	355½	-2½
Zeneca†	869	1836½	+31½

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. † Indicates an FTSE 100 index constituent. All trades are rounded. Source: Extel, part of FT Information.

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

PACIFIC

NORTH AMERICA

AFRICA

INDICES

US INDICES

Dow Jones	Feb 28	Feb 27	Feb 26	1996/97 High	1996/97 Low	Since compilation High	Since compilation Low
Industrials	6877.74	6925.07	6983.10	7067.46 (18/2/97)	5032.94 (10/1/96)	7067.46 (18/2/97)	41.22 (8/7/32)
Home Bonds	103.02	103.17	103.21	108.09 (14/2/96)	100.99 (15/7/96)	108.77 (18/10/93)	54.99 (1/10/81)
Transport	2317.01	2318.86	2345.06	2376.19 (24/2/97)	1882.71 (16/1/96)	2376.19 (24/2/97)	13.23 (8/7/32)
Utilities	227.29	227.08	227.71	240.85 (22/1/97)	204.86 (30/7/96)	256.46 (31/8/93)	10.53 (8/7/32)

DJ Ind. Day's high 6978.10 (7028.59) Low 6820.76 (6985.44) (Theoretical‡)
Day's high 6923.32 (6978.34) Low 6868.12 (6920.46) (Actual‡)

Standard and Poors	Feb 28	Feb 27	Feb 26	1996/97 High	1996/97 Low	Since compilation High	Since compilation Low
Composite‡	790.82	795.07	805.68	816.29 (18/2/97)	598.48 (10/1/96)	816.29 (18/2/97)	4.40 (1/6/32)
Industrials¶	923.89	927.82	940.53	950.96 (18/2/97)	702.07 (15/1/96)	950.96 (18/2/97)	3.52 (30/6/32)
Financial	91.63	92.94	94.18	96.31 (18/2/97)	58.67 (10/1/96)	96.31 (18/2/97)	7.13 (4/9/74)
NYSE Comp.	415.51	417.89	422.14	427.07 (18/2/97)	321.41 (10/1/96)	427.07 (13/2/97)	4.84 (25/4/42)
Amex Comp.	594.24	595.17	597.31	617.81 (22/5/96)	524.20 (16/7/96)	617.81 (22/5/96)	524.20 (16/7/96)
NASDAQ Comp	1309.00	1312.86	1340.55	1388.06 (22/1/97)	988.57 (15/1/96)	1388.06 (22/1/97)	54.87 (3/10/74)

■ RATIOS

	Feb 28	Feb 21	Feb 14	Year ago
Dow Jones Ind. Div. Yield	1.96	1.94	1.92	2.15
	Feb 26	Feb 19	Feb 12	Year ago
S & P Ind. Div. yield	1.73	1.72	1.73	1.89
S & P Ind. P/E ratio	22.69	22.84	24.83	20.83

■ NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Close price	Change on day
Healthsource	10,102,200	20¾	+4¾
Seagate Tec	6,413,300	47¼	-3¾
Micron Tech	6,193,400	37½	+¾
K Mart	5,736,500	12¼	+⅛
Compaq	5,075,700	79¼	+⅞
Mercury Fin	5,015,300	3⅝	-⅝
Pepsico	4,451,800	32⅝	-⅛
Gen Cigar	4,212,300	23	+5
Motorola	4,037,700	55⅞	+¼
Westinghse	3,838,000	17¼	+½

■ TRADING ACTIVITY

● Volume (million)	Feb 28	Feb 27	Feb 26
New York SE	512.042	488.448	562.123
Amex	22.727	19.999	20.112
NASDAQ	704.408	695.543	653.885
NYSE			
Issues Traded	3,306	3,303	3,333
Rises	1,026	896	755
Falls	1,455	1,603	1,800
Unchanged	825	804	778
New Highs	59	77	127
New Lows	32	37	31

■ S&P 500

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Mar	788.75	788.40	-2.00	790.00	787.00	87,134	176,336
Jun	795.00	796.00	-1.90	797.00	794.70	5,898	25,450

■ Nikkei 225

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	18450.0	18420.0	-150.0	18480.0	18320.0	33,288	184,569
Jun	18450.0	18420.0	-120.0	18450.0	18290.0	21,389	121,752

Open interest figures for previous day.

● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation.

■ TOKYO - MOST ACTIVE STOCKS: Monday, March 3, 1997

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Toshiba Corp	4.3m	681	+1	Kawasaki Steel	3.4m	324	+1
Nippon Steel Cp	4.1m	322	+1	Sumitomo Bank	3.3m	1470	-50
Matsushita E Wks	3.9m	1100	+40	Bk Tk-Mitsubishi	3.2m	1950	-30

Prices supplied by Telekurs, part of FT Information.

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. * Calendar year high and low. ¶ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $.

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NEW YORK STOCK EXCHANGE PRICES

4 pm close March 3

1996/97 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
32	24¾	AAR x	0.48	1.9	21	340	25⅝	25⅜	25½	
40⅛	33	AMP x	1.04	2.7	29	3072	39⅛	38½	38⅞	
97½	68	AMR			6	7377	80⅞	70	80⅜	+2⅞
50½	33¼	ASA x	1.25	3.2	26	268	37⅞	37	37⅛	-⅛
60½	39⅛	Abbott	0.90	1.7	23	9236	57	65¼	57	+⅜
17½	12¼	Abitibi Pr x	0.40	2.5	6	598	16⅛	16¼	16¼	-⅛
20¼	19½	ABM Ind	0.40	2.1	17	23	18¾	18½	18¾	
22½	13⅞	Acptocsis			10	265	21⅛	21⅛	21¼	+⅛
65¾	37⅝	ACE Ltd	0.72	1.1	10	949	65	64¾	65	
10⅝	9⅛	ACM Gvt In	0.90	0.3	11	536	u10⅝	10½	10⅝	
7⅛	6⅝	ACM GvOpp	0.90	8.5		94	7½	7⅜	7⅜	
9⅞	9⅜	ACM Man	0.90	9.2		102	9⅞	9⅝	9⅝	+¼
13⅞	6⅛	Acme Elect				55	6⅞	6¾	6⅞	
21⅝	13⅞	Acme Mills			72	14	18⅝	16½	18⅝	+⅜
33¾	27¼	Acordia x	0.60	2.8	16	40	32¼	61⅛	21⅛	-¼
28¾	12	Acuson				1225	28¼	27¼	27⅞	-⅛
21⅛	17⅞	Adams Exprs x	0.55	2.6	1	241	20⅞	20¾	20⅞	+⅜
36⅞	16¼	AdvMic				2122	36⅝	35½	36	+⅛
13	8½	Advest Grp			0	90	13½	13⅜	13½	-⅛
26⅛	9⅛	Advo Inc			26	106	12⅞	12⅝	12¾	-⅛
68¼	41⅛	Aegon	1.16	1.8	19	270	66⅝	66¼	66⅜	-⅛
6¾	3½	Aerflx				152	4¼	4	4	-⅛
67⅞	40⅜	AES Corp				20	65⅜	65⅜	65⅜	+½
88	57⅝	Aetna	0.80	0.9	62	5207	84⅞	82¼	84¾	+1⅞
44	28¼	Afiasc x	0.40	1.0	14	1640	41¼	40⅝	40⅞	+½

- B -

- C -

- D -

- E -

- F -

- G -

- H -

- I -

- J -

- K -

- L -

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- O -

- P - Q -

- R -

- S -

Continued on next page

NYSE PRICES

4 pm close March 3

Continued from previous page

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- X - Y - Z -

52 week High	Low	Stock	Div.	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
62¾	39¾	Xerox	1.28	2.0	18	13212	u63¼	61½	62⅞	+⅛
47⅞	38¼	Xtra Corp x	0.80	2.0	16	67	40¾	40⅝	40⅝	
25¾	20⅝	Yankee Egy	1.38	5.8	11	55	23⅞	23	23⅛	
57	43¼	York Int	0.36	0.8	13	2072	45	44⅛	45	+⅞
5	3	Zapata				235	4⅞	4¾	4¾	
25¾	5⅞	ZenithE				1291	9¾	9¼	9⅜	-⅛
28⅞	21⅛	Zenith Nat	1.00	3.7	12	116	26¾	26⅛	26¾	+⅛
7⅞	6½	Zweig Inc x	0.73	9.9		280	u7⅞	7¼	7⅜	
23¾	15⅝	Zero x	0.12	0.5	17	81	22	21¾	22	
28	18½	Zurn Ind	0.40	1.6	15	101	25½	25	25¼	-⅛
11⅞	10½	ZweigFd	1.12	10.1		292	11¼	11¼	11⅛	-⅛
9	8	Zweig Tot	0.84	9.8		427	9½	8⅞	8½	

Price data supplied by Extel, part of FT Information.

Yearly highs and lows for NYSE reflect the period from Jan 1 1996. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration. Sales figures are unofficial.

d-new yearly low. P/E price-earnings ratio. sls-sales. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.

¶ Dealings suspended.

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AMEX PRICES

4 pm close March 3

[illegible]

NASDAQ NATIONAL MARKET

4 pm close March 3

[illegible]

- K -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Kaman Cp	0.44	12	215	13⅞	13⅝	13½	-⅛
Kelly Sv x	0.84	14	244	28½	27⅞	27⅞	+⅛
Kimball	1.04	15	118	39½	39	39	-½
KLA Instr		18	14322	42⅛	40⅛	40¾	-¾
Koll A			4442	[illegible]	[illegible]	0.18	
Komag		14	3461	30⅝	29½	30½	+½
Kulicke S			1089	26¾	25⅝	25⅞	-⅛

- L -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Laborer x	0.72	84	3	19¼	18½	18½	-⅛
Laidl Fara			44	15¼	15	13	
Lam Rsch		12	8412	38¾	37½	38	-⅛
Lancaster	0.72	10	68	45¼	45¾	45¾	
Lance	0.96	23	174	18⅞	18½	18⅞	+⅛
Lanoptics			75	7¼	7¼	7¼	+⅞

- R -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Rainbow		13	144	18	17½	18	+¼
Rallys			1833	3⅛	2⅞	2¾	-⅛
Raymond	0.19	15	5258	u27¼	26	27⅛	+1⅛
RCSB Fin	0.60	12	771	33½	32⅝	32½	-1⅛
Read-Rite			31404	32⅛	29	30¾	+⅛
Recoton		14	338	15⅞	15¼	15¾	+½
RegFinCp			3354	58⅛	57¾	57⅞	-1
Repligen			68	1⅜	1⅞	1⅜	+⅛
Repub Ind			18983	35⅝	34½	35⅛	-⅛
ResrchMed		23	151	23⅛	23¼	23⅛	-⅛

- W -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Willamette	1.28	18	20	63½	63½	63½	
WmsSonoma		140	3471	27	24⅞	26¾	+1⅞
Wolohan L x	0.28	10	28	15	14¼	14¼	-¼
Worldcm			48542	26¾	25¾	26	-⅝
Worthgtn x	0.48	22	1948	20⅞	20⅝	20⅝	-¼
WPP ADR	0.10	23	1046	43¼	42½	43	
Wyman-Gdn	0.40	23	6287	19	17⅝	18⅛	+⅛

- X - Y - Z -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Xilinx		26	14577	46	44⅞	45	-⅛
Xircom		36	7103	20⅞	19⅝	20⅛	+⅛
Xoma Corp			2800	6⅞	6⅛	6⅛	-⅛
Yellow			1211	15⅞	15½	15¾	+⅛
York Rsch		17	1256	9¼	6⅝	6⅝	-⅝
ZionsUtah	1.76	17	104	124	122¼	122½	-2

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Company	Mid price	Change on day	Volume	High	Low	Company	Mid price	Change on day	Volume	High	Low
ActivCard	US$8.125		15000	8.25	8	Innogenetics	US$71.5		65350	11.625	10.5
Atwork Systems	US$10.875		56790	11.375	10.25	Mercer Internat	US$10.125	-0.125	40	11.375	10
Dr Solomon's ADS	US$24.75	-0.125	0	26	22.75	PixTech	US$5.5		1300	6.25	4.75
Esprit Telecom ADS	US$12.25		760	12.5	12						

Prices for 3/3/97.

Information about EASDAQ can be found on the Web site at: HTTP://WWW.EASDAQ.be

FINANCIAL TIMES Tuesday March 4 1997

Dow hit by telecoms shake-up

AMERICAS

Equity dealers endured a torrid morning as economic data, the weak bond market and some worrying corporate reports pushed share prices lower, *writes John Authers in New York.*

Most indices pushed upwards in mid-morning after a report from the National Association of Purchasing Managers which suggested that the manufacturing sector was in good health, but by midday all the most closely watched indices were negative.

The Dow Jones Industrial Average fell 21.17 to 6,856.57. This was mainly due to heavy activity in AT&T, the long-distance telecommunications giant, by far the most actively traded share in the morning session.

It shed $2⅞ to $36⅝ on the announcement, at the beginning of its two-day conference for analysts in New Jersey, that it expected to cut costs by $2.6bn over the next two years, but that earnings for the current year would be lower than expected as a result.

The Nasdaq composite index, dominated by technology stocks, also continued its recent weak performance, off 4.89 at 1,304.11. However, the trend for it to perform sharply worse than the rest of the market seemed to have halted.

Several banks had a poor morning on new worries that interest rates will be raised soon. They were led by BankAmerica which shed $2⅝ to $111⅝.

Further congressional testimony later this week by Mr Alan Greenspan, chairman of the Federal Reserve, and Friday's employment report were both thought likely to offer decisive clues on whether monetary policy will be tightened.

The Dow Jones Transportation index leapt 41.15 to 2,358.16. This was thanks to speculation that the long-running battle for control of Conrail being fought by CSX and Norfolk Southern, two other large north-eastern railway companies, was finally due to be resolved with the companies effectively splitting their target's assets.

All three stocks rallied strongly on the news. At midday, Conrail was up $6⅝ at $111⅛, CSX had gained $3⅝ at $49⅝, and Norfolk Southern $2⅛ to $93⅞.

Takeover speculation also helped a big rally in Dow Jones, owner of the Wall Street Journal, which gained $1⅛ to $41⅞.

TORONTO continued to move lower with an uncertain start on Wall Street and nervous bank and resource stocks doing most of the damage. At noon, the TSE-300 composite index was off 31.79 at 6,126.05.

Mexico City off 1%

MEXICO CITY fell 1 per cent in nervous midsession trade as the peso remained under pressure and on concerns over rising interest rates and worries that certification of Mexico as an ally in the war against narcotics might not be ratified by the US congress.

The IPC index lost 39.26 at 3,801.72. Cemex fell 1.10 pesos at 30.90 pesos on a downgrade by CS First Boston.

SAO PAULO was cautious on worries that a congressional inquiry into a state debt scandal could be extended to include some large banks and pension funds.

The Bovespa index, having been divided by 10 to make the measure easier for investors to follow, was 56 weaker by midsession at 8,773.

CARACAS lost 1.4 per cent at midsession as profit-taking pulled the IBC index down 95.69 to 6,613.74. CanTV lost 40 bolivars to 2,130 bolivars although the group said that a 12-hour strike by some employees had not affected its operations.

MARKETS IN PERSPECTIVE

	% change in local currency †				% change sterling †	% change in US $ †
	1 Week	4 Weeks	1 Year	Start of 1997	Start of 1997	Start of 1997
Austria	+1.20	+4.15	+14.13	+24.99	+0.82	+5.95
Belgium	+2.20	+4.70	+26.13	+33.16	+7.09	+12.55
Denmark	-3.37	+3.57	+35.48	+45.48	+19.10	+25.17
Finland	+0.29	+2.35	+58.24	+60.54	+31.75	+38.46
France	+1.78	+3.90	+31.37	+42.75	+16.60	+22.53
Germany	+2.24	+7.12	+30.29	+41.02	+13.77	+19.57
Ireland	-0.04	+3.92	+30.29	+34.11	+26.07	+32.49
Italy	-5.42	-5.61	+20.10	+22.04	+9.02	+14.57
Netherlands	+0.48	+7.50	+42.07	+49.32	+19.96	+26.07
Norway	-4.87	-0.23	+36.58	+40.43	+25.33	+31.71
Spain	-1.35	-0.45	+37.35	+48.65	+19.71	+25.81
Sweden	+0.33	+4.15	+41.91	+55.68	+30.84	+37.60
Switzerland	-1.10	+4.28	+31.31	+33.99	-0.53	+4.53
UK	-0.49	+0.77	+14.69	+16.31	+16.31	+22.23
EUROPE	-0.07	+2.80	+25.86	+31.39	+14.85	+20.70
Australia	-1.27	+0.84	+7.13	+10.28	+9.49	+15.07
Hong Kong	-0.51	-0.47	+12.94	+26.44	+20.13	+26.25
Japan	-2.62	+1.75	-9.91	-11.36	-27.91	-24.24
Malaysia	+0.08	+4.75	+21.98	+32.00	+28.44	+34.98
New Zealand	-1.62	-6.31	+2.82	+2.10	+2.79	+8.02
Singapore	-2.76	-1.45	-4.46	+5.14	-0.76	+4.29
Canada	-1.30	+0.50	+29.10	+33.36	+26.62	+33.06
USA	-1.35	+0.35	+22.66	+27.86	+21.67	+27.86
Mexico	-1.34	+5.10	+32.42	+36.61	+25.67	+32.07
South Africa	-0.25	+8.77	+6.91	+15.11	-10.90	-6.37
WORLD INDEX	-1.15	+1.38	+15.88	+19.55	+7.55	+13.02

† Based on February 28th 1997.

Renault falls back after car sales figures

EUROPE

Renault continued to dominate the conversation in PARIS, running into widespread profit-taking after an upsurge of almost 20 per cent over the previous three sessions.

News of a big drop in French car sales in February looked to be the catalyst, but sentiment also took a knock from strike threats and worries about litigation in the wake of Renault's plans to close a Belgian plant.

The shares came off FFr6.90, or 4.7 per cent, to FFr140. The malaise was sector wide, Peugeot losing FFr7 to FFr623 and Michelin FFr5.10 to FFr351.70.

Lagardère jumped FFr3 to FFr171; Thomson-CSF takeover hopes were boosted by newsletter reports of meetings between the heads of Lagardère and Alcatel-Alsthom, the two main rivals for the hand of CSF.

Pechiney dipped FFr1.10 to FFr242 ahead of today's results. LVMH fell FFr6 to FFr1,327 on lower operating profits from the newly acquired DFS of the US.

The CAC 40 index fell 7.29 to 2,600.26.

FRANKFURT speculated, and played catch-up on an indeterminate day, the Dax index easing 2.30 to an Ibis-indicated 3,258.74 as turnover dropped from DM11.3bn to DM8.5bn.

Midcaps outperformed after a relatively dull February, the M-Dax index rising by 0.6 per cent. The construction sector was important here, Philipp Holzmann and Strabag Bau gaining DM36, or 7 per cent, to DM550, and DM18.30, or 12.5 per cent, to DM165.

On the speculative side, Adidas rose DM4.60 to DM166.10 on a story that the sportswear group was the likely winner of a 10-year, $100m marketing deal with the New York Yankees baseball team. Henkel, up DM3.20 to DM93.20, took its gains to 11.4 per cent in a week on the tale that it was a likely Unilever takeover target.

AMSTERDAM saw Hoogovens, the steel group, up another Fl 2.80 at Fl 83.40 for a two-day advance of almost 5 per cent. Sentiment was lifted by anticipation of an upbeat statement when the 1996 results emerge on Thursday, combined with news of another cross-border steel partnership. Some brokers had upgraded group profit estimates.

Ahold, the retailer, was also strong in advance of a profits statement on Thursday, adding Fl 2.60 to Fl 125.30, and KLM bounced 80 centimes to Fl 59 on indications from the airline that it would not be forging closer links with Northwest Airlines of the US, in which it has a 19 per cent stake.

PolyGram, Philips' music offshoot, gained Fl 2.50 to Fl 89.50, but Unilever met with further profit-taking. The shares, a strong market lately thanks to restructuring hopes, came off Fl 8.40 to Fl 353.40 for a two-day decline of close on 5 per cent.

At the end of the session, the AEX index was off 1.20 at 736.26.

FTSE Actuaries Share Indices

Mar 3 — THE EUROPEAN SERIES

Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FTSE Eurotrack 100	2130.50	2128.39	2127.32	2128.27	2127.90	2127.11	2128.30	2125.96
FTSE Eurotrack 200	2171.03	2168.11	2166.84	2168.22	2167.43	2168.39	2166.24	2165.74

	Feb 28	Feb 27	Feb 26	Feb 25	Feb 24
FTSE Eurotrack 100	2140.38	2148.57	2152.00	2150.66	2135.35
FTSE Eurotrack 200	2180.91	2187.43	2191.03	2190.15	2173.55

Base value 1000 (26/10/90). High/day: 100 - 2130.50; 200 - 2171.03 Low/day: 100 - 2125.67 200 - 2164.11. † Partial.

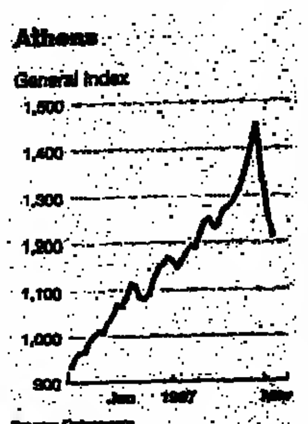
ATHENS tumbled another 7.5 per cent, one of its biggest ever one-day falls, as retail investors continued to try to book profits in a market where few buyers were to be found.

The Athens general index lost 97.09 to 1,206.54 for a three-day slide of 17 per cent. The decline began last Thursday after a 55.7 per cent rally since the start of the year prompted a warning from the market watchdog against speculation or rumour-driven investment decisions.

Some analysts also pointed to the civil strife in neighbouring Albania as a contributory factor yesterday. However, others were sceptical, saying that Albania was neither a military threat nor an important trading partner.

Mr Stewart Harley at Schroders said that there was little sign of support for share prices at last night's close. Shares were marked limit down and with offer prices only on trading screens. However, he believed that the market would stabilise, without outside intervention, at around the 1,150 point level.

ISTANBUL lost 5.6 per cent as political tensions mounted after Friday's call by military leaders for a crackdown by the Islamist-led coalition government against a growing wave of religious zeal. The IMKB national 100 index fell 90 to 1,522. Investors were also said to be hesitant ahead of a censure motion, filed by the conservative opposition, which was due to be debated in parliament today.



Source: Datastream

MILAN rebounded as the market tried to put behind it last week's 4.3 per cent fall, attributed in part to the weaker lira on concern that plans for a single European currency might be postponed. The Comit index eased 0.43 to 741.13 while the real-time Mibtel index closed up 164, or 1.4 per cent, at the day's high of 11,909.

Among the blue chips, Fiat jumped L223 to L5,408 after it raised Italian car prices and on talk of good February domestic car sales and positive progress in its south American car operations. Eni rose L271 to L8,604.

Bulgari picked up L1,166 to L29,995 as the jewellery and luxury goods group announced a global link with the privately owned Ferragamo to develop perfumes under the Ferragamo and Ungaro brand names.

Deroma, world leader in the manufacture of terra-cotta pots, made its debut on the market at an early L11,950 before settling back to L11,485, still at a sharp premium to the L10,000 flotation price.

HELSINKI was broadly bearish and the Hex index fell 47.38, or 1.6 per cent, to 2,846.11. The late morning bounce for tech stocks on Wall Street came too late to save Nokia A, down FM7 at DM296.50, but the mobile phone maker, Benefon, jumped FM5.90 to FM98.90 after it said that it had received type approval for its first GSM (Global System for Mobile Communications) handset, the Benefon Gamma.

Written and edited by William Cochrane, Michael Morgan and Jeffrey Brown

Bombay consolidates 11% post-budget advance

ASIA PACIFIC

Post-budget euphoria left BOMBAY racing ahead early in the day, building on the cumulative 11 per cent surge recorded in special sessions on Friday and Saturday. However, the BSE-30 index turned back from an eight-month intraday high of 4,007.91 as profit-taking erased much of the session's advance and the index closed just 13.56 higher at 3,871.05.

Analysts said that the breadth and focus of the budget had boosted confidence among domestic investors and pulled in foreign funds anxious not to be left out in the rush. Traders described the budget as "path-breaking and market-friendly" as the government announced plans to slash corporate taxes, allow a long, pending company share buy-back scheme and raise investment limit for foreign institutional investors.

TOKYO fell below the 18,500 level for the first time in almost two weeks, after a day of low-volume trading, *writes Bethan Hutton.*

The market re-opened with no apparent change in sentiment after Friday's fall of 2.4 per cent, and there was little corporate or economic news to encourage a change of direction. The Nikkei 225 average closed 127.87 lower at 18,429.13 after trading between 18,345.58 and 18,517.17.

The other main indices also fell. The Topix index of all first-section shares fell by 11.01 to 1,379.58, and the capital-weighted Nikkei 300 by 2.07 to 269.86.

Volume dropped from 408.9m shares to about 302m, losers led gainers by 844 to 252 with 140 unchanged. In London, the ISE/Nikkei 50 index rose 2.46 to 1,417.33.

Brokers blamed arbitrage unwinding for some of the selling pressure, as well book-closing trades in preparation for the financial year-end on March 31.

Investors, it was thought, might also be waiting for the Japanese budget to be passed tomorrow in the hope that some stimulus measures might be announced. Currency movements were not clear enough to give any strong trading incentives.

Toshiba, the electronics manufacturer, was the day's most heavily traded share after it issued a profit warning on Friday. The company blamed the revised forecast for a 32 per cent decline in pre-tax profits from the previous year on a sharp fall in semiconductor prices and slow markets for consumer electronics.

At one stage, Toshiba shares hit a low of Y670, their lowest since August 1995, but later recovered to close up Y1 on the day at Y681.

About 4.3m Toshiba shares changed hands.

All Nippon Airways slid Y32 to Y841 following a report that the airline, Japan's second-largest, was suspending performance-related pay for its pilots, introduced last year.

Some bargain-hunters emerged later in the day after the Nikkei had fallen around 200 points in the morning, picking up Toshiba and other high-tech stocks. TDK gained Y90 to Y8,170, Hitachi Y50 to Y1,050, and Advantest Y40 to Y5,980.

In Osaka, the OSE index dropped 175.86 to 19,368.43 in volume of 184.54m shares.

BANGKOK fell 2.8 per cent on the SET index after trading in banks and finance companies was suspended for the day ahead of a central bank statement.

The absence of the leading financials led to thin trading conditions and at the close the SET index was off 21.96 at 705.61. Turnover was minimal at Bt1.3bn.

The statement from the central bank emerged during the afternoon. The bank ordered 10 finance companies, including three listed groups, to raise their capital immediately.

The central bank also raised the minimum level of provisions that banks and finance companies must make to cover sub-standard assets.

TAIPEI came off sharply as investors locked into profits in the financial sector. The weighted index lost 103.26, or 1.3 per cent, at 7,880.45. Turnover was hectic at T$105bn.

Financials plunged with Hua Nan Bank down T$9 at T$145 and Cathay Life Insurance falling T$7 to T$180. Among industrials, Southeast Cement fell T$1.20 to T$30.40. The shakeout followed Saturday's warning from the central bank that individual investors should exercise caution.

SYDNEY closed sharply lower. The All Ordinaries index shed 28.7, or 1.2 per cent, to 2,421.2. Commonwealth Bank fell 24 cents to A$12.58 and ANZ 25 cents to A$7.29. Westpac came off 20 cents to A$7.10. BHP ended at $A16.78, down 27 cents.

HONG KONG turned its attention back to recently dull property stocks on expectations of a good response to forthcoming property sales.

The Hang Seng index closed 108.56 higher at 13,507.28 in turnover that pulled back to HK$9.9bn.

Cheung Kong led the property sector with a rise of HK$2.75 to HK$76.75 as the sectoral sub-index, under pressure for the last two months, bounced 2 per cent higher.

KUALA LUMPUR ran into a sell-down in the second half of the session on a combination of profit-taking, forced selling related to settlement, and uncertainty about Wall Street. The composite index lost 10.33 at 1,260.44.

DHAKA added to losses suffered on Saturday and Sunday, tumbling 2.4 per cent as the threat of political uncertainty unnerved the market. The all-share index dropped 39.96 to 1,603.45 as the main BNP opposition party threatened efforts to bring down the government.

S Africa rallies on futures

Shares in Johannesburg rallied modestly on what dealers described as futures-driven trading. At the close, the all share index was 8.6 better at 7,153.8.

Golds traded narrowly to leave the index 2.9 lower at 1,562.9. But industrials, off almost 80 points on Friday, reversed a dull start to finish 16.7 higher at 8,261.0.

De Beers gained R2 to R157.50 and Sasol spun back on to the upside after a four-day decline of more than 15 per cent. The shares rose R1.50 to R50.

FT/S&P ACTUARIES WORLD INDICES

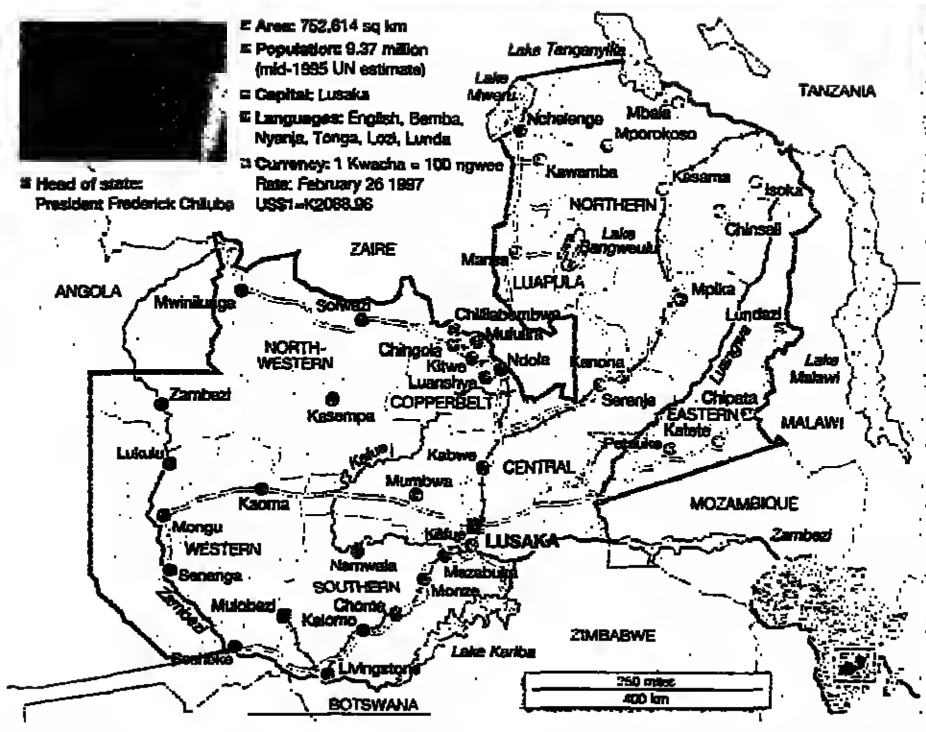
The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

NATIONAL AND REGIONAL MARKETS. Figures in parentheses show number of lines of stock	FRIDAY FEBRUARY 28 1997: US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	THURSDAY FEBRUARY 27 1997: US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX: 52 week High	52 week Low	Year ago (approx)
Australia (76)	218.66	-1.0	198.69	166.82	191.91	187.39	-0.7	4.05	220.94	201.32	168.83	194.06	188.70	224.61	168.44	198.30
Austria (24)	184.92	-0.7	168.03	141.07	162.30	162.23	-0.7	1.80	186.13	169.60	142.23	163.51	163.45	195.04	174.70	188.77
Belgium (26)	235.36	0.0	213.88	179.57	206.58	202.15	0.0	3.23	235.26	214.38	179.79	206.66	202.21	236.54	203.64	212.82
Brazil (28)	232.74	0.0	211.49	177.56	204.27	450.26	0.0	1.35	232.74	212.07	177.85	204.45	450.16	242.07	147.48	162.86
Canada (114)	197.52	-0.6	179.48	150.69	173.36	195.50	-0.6	1.69	198.73	181.09	151.86	174.58	196.56	203.24	153.61	153.82
Denmark (32)	361.44	0.0	328.43	275.74	317.23	316.60	0.0	1.38	361.31	329.22	276.10	317.39	316.71	376.09	291.30	303.54
Finland (26)	259.02	-1.1	235.36	197.60	227.33	273.69	-1.1	1.94	262.02	238.75	200.23	230.16	276.70	263.12	174.47	182.57
France (91)	218.63	-0.7	198.76	167.71	192.94	196.46	-0.7	2.57	221.32	201.66	169.12	194.42	197.87	222.08	183.87	190.67
Germany (59)	195.72	-0.3	177.84	149.31	171.78	171.78	-0.4	1.51	196.27	178.84	149.98	172.41	172.41	196.27	164.47	173.42
Hong Kong (58)	489.47	-1.0	444.77	373.42	429.59	496.64	-1.0	3.20	494.48	450.58	377.86	434.37	491.61	514.48	402.58	438.53
Indonesia (27)	251.49	-0.6	228.52	191.86	220.72	369.89	-0.4	1.44	253.04	230.57	193.36	222.28	371.48	–	–	–
Ireland (16)	338.53	0.1	307.61	258.26	297.12	301.23	-0.1	3.12	338.13	308.10	258.39	297.03	301.59	343.35	256.16	259.04
Italy (58)	84.44	-2.2	76.73	64.42	74.11	106.58	-1.6	1.99	86.35	78.68	65.98	75.85	108.34	98.32	70.61	76.61
Japan (480)	117.37	-1.6	106.65	89.54	103.01	89.54	-1.7	0.86	119.24	108.65	91.12	104.75	91.12	164.68	109.16	149.12
Malaysia (107)	654.83	0.2	595.03	499.57	574.72	626.21	0.2	1.01	653.55	595.51	499.42	574.11	624.98	660.86	512.47	519.44
Mexico (27)	1367.95	-2.1	1243.02	1043.60	1200.61	11920.31	-0.4	0.92	1397.56	1273.45	1067.96	1227.69	11965.95	1445.86	1046.55	1105.04
Netherland (19)	343.81	-1.3	312.41	262.29	301.75	297.96	-1.3	2.53	348.24	317.31	266.11	305.91	301.94	354.05	274.35	261.23
New Zealand (14)	86.05	0.4	78.12	65.65	75.52	66.05	0.2	4.26	85.71	78.10	65.50	75.30	65.93	95.60	75.94	81.65
Norway (41)	304.63	-1.1	276.81	232.40	267.36	278.62	-0.9	2.15	308.03	280.66	235.39	270.59	281.25	321.23	234.87	236.94
Philippines (22)	206.45	-0.3	187.59	157.50	181.19	270.91	-0.3	0.63	207.12	188.73	158.27	181.95	271.82	–	–	–
Singapore (43)	424.66	0.0	385.90	323.99	372.73	279.08	-0.0	0.99	424.85	387.12	324.65	373.21	279.08	449.15	371.28	447.40
South Africa (44)	360.80	-1.1	327.85	275.26	316.67	353.41	-0.9	2.37	364.80	332.41	278.77	320.46	356.49	397.25	301.49	397.25
Spain (35)	207.83	-0.9	188.85	158.55	182.41	225.70	-0.9	2.79	209.78	191.15	160.31	184.28	227.70	228.16	161.86	175.88
Sweden (49)	429.45	-0.9	390.23	327.62	376.91	476.69	-0.7	2.15	433.29	394.81	331.10	380.62	480.00	437.08	325.59	342.56
Switzerland (35)	246.66	-0.5	224.15	188.19	216.50	225.57	-0.7	1.32	247.80	225.80	189.36	217.68	227.20	254.34	229.36	232.82
Thailand (45)	82.19	0.9	74.68	62.70	72.14	82.60	1.0	4.11	81.44	74.21	62.23	71.54	81.82	197.79	75.46	179.58
United Kingdom (212)	281.80	-0.4	256.06	214.98	247.33	256.06	-0.7	3.79	282.85	257.74	216.15	248.47	257.74	284.47	224.39	231.79
USA (654)	321.26	-0.6	291.92	245.09	281.96	321.26	-0.6	1.87	323.07	294.38	246.88	283.80	323.07	331.54	254.79	263.89
Americas (823)	294.20	-0.5	267.33	224.44	258.21	247.58	-0.6	1.86	295.88	269.61	226.10	259.92	248.95	303.45	238.09	240.50
Europe (725)	242.46	-0.6	220.31	184.97	212.80	223.23	-0.7	2.70	243.94	222.27	186.41	214.29	224.94	245.79	201.66	206.91
Nordic (150)	372.16	-0.5	338.17	283.92	326.63	357.06	-0.7	2.01	375.19	341.87	286.71	329.59	359.49	379.82	282.52	293.75
Pacific Basin (873)	138.52	-1.3	125.87	105.67	121.57	105.15	-1.4	1.37	140.36	127.89	107.26	123.30	106.65	177.01	131.60	162.66
Euro-Pacific (1598)	181.81	-0.9	165.21	138.70	159.57	149.75	-1.0	2.11	183.50	167.20	140.22	161.16	151.29	191.51	176.40	180.89
North America (766)	313.77	-0.6	285.12	239.38	275.39	312.97	-0.6	1.87	315.55	287.53	241.13	277.20	314.74	323.88	248.65	256.91
Europe Ex. UK (513)	216.20	-0.7	196.46	164.94	189.76	200.87	-0.8	2.07	217.82	198.47	166.45	191.34	202.40	219.72	183.36	187.97
Pacific Ex. Japan (393)	314.91	-0.6	286.15	240.25	276.39	273.34	-0.5	2.72	316.80	288.67	242.09	278.30	274.74	320.65	268.97	287.38
World Ex. US (1811)	185.50	-0.9	168.56	141.52	162.81	155.91	-1.0	2.09	187.21	170.58	143.06	164.45	157.48	193.47	177.71	182.30
World Ex. UK (2253)	223.67	-0.8	203.24	170.64	196.31	198.09	-0.8	1.79	225.44	205.42	172.27	198.04	199.69	228.59	189.58	205.00
World Ex. Japan (1985)	285.57	-0.6	259.49	217.86	250.64	275.23	-0.5	2.19	287.27	261.75	219.52	252.35	276.91	291.77	233.10	239.43
The World Index (2465)	228.63	-0.8	207.75	174.42	200.66	203.38	-0.6	1.96	230.35	209.89	176.03	202.35	204.99	233.38	202.32	207.39

 Latest prices were unavailable for this edition.

Zambia

The privatisation of the mines could bring prosperity back to Zambia, but strained relations with donors must improve if the aid flows that remain essential to economic recovery are to be maintained. **Michela Wrong** reports



Economic summary

	1996(e)	1997(f)
Total GDP (nominal, $bn)	3.87	4.66
Real GDP growth (annual % change)	3.6	3.2
GDP per head ($)	371	432
Inflation (annual % change in CPI)	45.0	35.0
Industrial production (annual % change)	1.5	3.7
Money supply, M2 (annual % change)	46.3	38.5
Foreign exchange reserves ($m)	150	180
Government spending (% of GDP)	28.2	27.7
External debt per head ($)	693	682
External debt (% of GDP)	186.7	157.9
Current account balance ($m)	-295	-330
Merchandise exports ($m)	1,010	1,040
Merchandise imports ($m)	-890	-900
Trade balance ($m)	120	140

(e) estimate (f) forecast

Main trading partners (1995)*

Exports		Imports
18%	Japan	5%
13%	Saudi Arabia	n.a.
13%	Thailand	n.a.
5%	India	n.a.
n.a.	South Africa	28%

* based on partners' trade returns, subject to a wide margin of error

Sources: Europa/EIU/Datastream

'Crown jewels' earmarked for foreign buyers

More than three decades after independance from Britain, impoverished Zambia has taken what history will probably judge to have been the most significant step in its drive to stand on its own two feet and wean itself from reliance on international aid.

After four years of agonising, President Frederick Chiluba's government has bowed to the inevitable and started privatisation of the deht-ridden copper mines. What Zambians have long regarded as their country's "crown jewels" are earmarked for sale to a bevy of South African, Canadian, American and other foreign companies.

The unbundling and sale of Zambia Consolidated Copper Mines (ZCCM), due to be completed by the end of 1997, is the most ambitious reform undertaken since Mr Chiluba came to power in 1991 with a mission to liberalise the socialist system established by Mr Kenneth Kaunda, the former president.

The cornerstone of a privatisation programme already hailed as the most successful in Africa, it holds out the long-term prospect of halting a decline that has reduced Zambia from one of sub-Saharan Africa's most prosperous countries to one of the world's most indebted nations.

"We stand on the threshold," says Mr Theo Bull, a Zambian businessman and economic analyst. "Having climbed laboriously up the mountain, the valley is now stretching out before us. The privatisation of the mines could bring prosperity back to Zambia."

Added together, the various ZCCM privatisations are slated to hring investment worth $2bn to the decaying Copper Belt, Zambia's industrial heartland, within five years. Not included in that figure is the new development that mineral exploration – currently covering as much as a third of Zambian territory – could trigger.

Sadly, however, that breakthrough risks being obscured by politics – namely, the ruling establishment's determination to stay in power at all cost.

Since altering the constitution to bar Mr Kaunda, now the main opposition leader, from standing in November's elections, a government that enjoyed unusually warm relations with the international community in the early years of its existence is scarcely on speaking terms with donors. In protest at the constitutional tinkering, a flawed poll and a continuing crackdown on dissent, western governments have halted balance-of-payments support, estimated to have totalled about $140m last year.

Zambia desperately needs that aid, at least until the impact of ZCCM's privatisation makes itself felt. As a recent World Bank report acknowledges: "The importance of aid flows to Zambia cannot be overstated".

At their peak in 1992, disbursements from both multilateral institutions and individual governments totalled an annual $1.48 bn. They accounted for 32 per cent of Zambia's gross domestic product, and 77 per cent of total public expenditure – a breathtaking $130 per head.

Even the latest budget, vaunted by Mr Chiluba as a measure aimed at making Zambia's 9.25m inhabitants face up to the realities of self-reliance, assumes $275m in project financing and $200m in balance-of-payments support from donors.

Preoccupied with economic fundamentals, the World Bank remains on course with its funding. The International Monetary Fund, which suspended payments in 1995 hecause of Zambia's failure to meet 10 benchmarks, is this month expected to approve resumption of an Enhanced Structural Adjustment Facility.

But economic analysts agree that with external debt of $6.4bn to be serviced, this will not be sufficient to tide Zambia along. "It's not enough to have the IMF and World Bank on board," says Mr Elwaleed Taha, IMF representative in Lusaka. "With Zambia's debt and its needs for project funding, the bilaterals have to be involved in a finance programme."

Five years ago, the loss of a privileged relationship with the donors would have been hard to imagine.

When the MMD, a broad-hased movement embracing trade unionists, husinessmen and defectors from the ruling United National Independence Party (Unip), took power in 1991, it could scarcely put a foot wrong.

Mr Kaunda had agreed to stand down in one of Africa's few peaceful handovers, but he left a country devastated by years of economic mismanagement. The 1975 collapse of the price of copper, traditionally accounting for up to 90 per cent of export earnings, had combined with the oil shock to deal a devastating blow.

Output at the overmanned, poorly-managed mines had fallen to half its 720,000-tonne peak. Farming, neglected since the colonial era, was still paying the price for state interference in the market. Tourism barely existed.

The MMD took swift action. It sacked the executives of state-owned corporations, devalued the kwacha, liberalised agriculture and relaunched a privatisation programme which until then had won only lip-service from the authorities.

But economic achievements have coincided with changes at the heart of the ruling establishment: a steady narrowing of its support base. The moderate "young Turks" who used to advise Mr Chiluha have either left government to stand as independents or been marginalised by increasingly powerful hardliners.

Accusations of top-level corruption abound but are never acted upon. Many donors say that while the new government line-up failed to impress, they were enormously relieved that Mr Chiluba stopped short of reappointing several cabinet members alleged to have been involved in drug trafficking.

"This is not the party I helped set up," complains Mr Fred M'membe, editor of the Post newspaper. "Chiluba has carved out a party that reflects his character – a party of petty traders and duhious characters of all sorts plus a few intellectuals looking for self promotion." A founding member of the MMD, he now campaigns with a vengeance against the regime.

Since the November polls, whose outcome was a foregone conclusion after Mr Kaunda's party and six others announced a boycott, the government has not relaxed efforts to relegate the opposition to obscurity, targeting journalists, raiding the offices of electoral bodies and lashing out at non-governmental organisations.

This is not behaviour designed to woo back donors who feel the onus is on the government to signal serious intentions of good governance.

Nonetheless, it is clear the aid freeze must be temporary, not least because a recent influx of refugees displaced by the fighting in Zaire reminds western governments of the need to prop up one of the few stable countries in an increasingly volatile region. "The donors have poured too much money in over the years to pull the carpet from under us at the last moment," says a government official.

A diplomat admits that each side is waiting for the other to blink. "It's a game of chicken at the moment; a game of double bluff. If we show weakness, the hardliners will know they can get away with anything."

But the longer the standoff continues, the higher the eventual price Zambia will pay. Donors admit that in an era of compassion fatigue, the break in relations will provide many governments with the perfect excuse to slash generous aid hudgets. Funding will resume, hut not at the old levels.

That means that until ZCCM's privatisation begins to have its invigorating effect – and there is the ever-present danger of the company's collapse before it reaches that point – mid-term prospects for a country with per capita incomes of just $380 are hleak.

The shoots of growth are undeniably there. More than 60 per cent of the 280 state-owned enterprises have now been privatised and many of the multinationals whose companies were nationalised under Mr Kaunda are returning.

Britain's Commonwealth Development Corporation alone has invested $55m since 1991, making Zambia the institution's most important investment in Africa. Much of its investment has gone into the non-traditional exports – cotton, tobacco, coffee, roses, baby vegetables – that economists believe hold out most hope for the future as the southern African market opens up.

But investment and savings levels remain worryingly low. Without more funds – whether from the donors or from ZCCM's privatisation, there are few hopes of revamping the country's deteriorating roads, railway network, schools and hospitals.

In addition, medical experts predict the Aids virus, believed to have infected as many as 700,000 adults, could have a crippling impact on the economy unless foreign governments come to the rescue.

"Two years ago everything was looking fine and dandy," says Mr Bull. "There was a general improvement in the economy, social stability and we were on friendly terms with the donors and our neighbours. Now we face a couple of very difficult years. We have squandered the support we enjoyed, for nothing."

IN THIS SURVEY

Production Editor: Philip Sanders

THE ECONOMY • by Tony Hawkins

Welcome global trend

Ultimately, it is foreign investment that will make or break Zambia

Anyone listening to Mr Ronald Penza, finance minister, recounting his government's commitment to economic reform, and fiscal and monetary discipline, could be forgiven for believing that here, at last, is an African government that means business.

And it is not the empty rhetoric that comes so easily to finance ministers' lips. The track record is there for all to see – Africa's most ambitious and successful privatisation programme, sweeping trade liberalisation, the deregulation of the economy and that most rare of African achievements, a fiscal surplus.

Asked to explain the $139m of foreign direct investment and $330m in short-term capital inflows to Zambia during 1996 – a year marred by political uncertainty, a sharp fall in the price of the country's chief export, copper, and the freezing of donor balance of payments support – Mr Penza says that at last the global business community is beginning to take Zambia seriously.

He can summon other evidence of this welcome trend: the commitment of four leading mining houses – Cyprus Amax of the US, South Africa's Anglo American and Gencor and Canada's Falconbridge – to develop, subject to satisfactory feasibility studies, the Kansanshi and Konkola Deep copper mines.

In February also, the Anglovaal-Commonwealth Development Corporation consortium was due to sign an agreement to develop the Konkola North copper property. Taken together with the privatisation of the state-owned Zambia Consolidated Copper Mines (ZCCM), these developments could lead to investment of up at least $2.5bn in the Copper Belt over the next decade, reversing a generation of decline.

Multinationals that left – or were pushed out – in the 1960s and 1970s are returning. Unilever has bought back its plant in Lusaka; Tate & Lyle with the CDC is reviving the country's sugar industry, while CDC has done the same at Chilanga Cement.

South African retail chains – Shoprite Checkers, Pep Stores and Ackermans – have opened their doors. Lonrho and South Africa's Clark Cotton are expanding cotton and textile activity and last month AECI and Afrox, subsidiaries of ICI and BOC, signed privatisation buy-out deals with the Zambia Privatisation Agency.

And yet, a comparison of Zambia's ramshackle infrastructure with that of Zimbabwe, or even Ghana and Kenya, is a reminder that there is much more to turning an African economy around than getting policies and prices right.

"Go to the Far East, and no-one has heard of us. We don't promote and market ourselves very well" says Mr Bwalyka Ng'andu, director-general of the Zambia Investment Centre. And Zambia's case is not helped by the fact that potential investors must trudge up four or five flights of stairs to reach the ZIC's offices in Lusaka because the lifts don't work!

Yet, ultimately, it is going to be foreign investment, with a diminishing input from the donor community, that will make or break Zambia. The latest official numbers paint a dismal picture of investment which has averaged 10 per cent of gross domestic product during the 1990s.

Given that with its rundown infrastructure, most notably the road network, Zambia needs to invest 10 per cent to 15 per cent of GDP merely to maintain the existing capital stock, the economy is living on borrowed time.

Domestic savings are insufficient even to finance these levels of (negative) net investment. Growth of 5 per cent to 6 per cent annually, which is what Zambia desperately needs after a generation of declining living standards, implies gross investment of at least 25 per cent if not 30 per cent of GDP. And where is that to come from?

As incomes recover, so too will domestic savings, although the ravages of inflation over the past 15 years have all but killed the savings culture. Foreign assistance will add its contribution, albeit a declining one, as aid fatigue and donor disenchantment with Zambia's governance and corruption shenanigans take their toll.

Which leaves foreign capital to fill the gap.

The good news is that already the multinationals are beginning to do just that. In the past three years, foreign direct investment has more than trebled, to $132m last year from $40m in 1994, while short-term capital has swung from an outflow of $78m in 1994 to last year's surprisingly large $330m inflow.

Privatisation is central to the process of rebuilding Zambia's image as an investment location. Now that the protracted heel-dragging over ZCCM privatisation – which has cost the economy two years of growth, if not more – is over, and some 80 per cent of the ZPA's working portfolio of state enterprises is in private hands, foreign investor interest and confidence is increasing.

Ironically, last year's relative stability – from April – of the kwacha, one of the continent's sicker currencies in recent years, contributed to this foreign investor "feel good" factor.

The kwacha's uncharacteristic stability is ironic because last year's 15-20 per cent real appreciation of the currency is doing nothing to help – and could well undermine – the government's successful drive to promote non-traditional exports. These have more than doubled in the past five years, reaching $250m in 1996, helping to offset at least some of the lost copper earnings.

But thoroughly appropriate though the emphasis on private foreign investment may be, there is no underestimating the present and future role of public funding. More than anything else, the infrastructure – in the very broadest sense of the word, encompassing education, training and health facilities as well roads, railways, electricity and telecommunications – threatens to hold back Zambia in the 21st century.

The national budget highlights the problems facing the state. More than half of recurrent spending is earmarked for salaries, interest costs and defence, while the domestically-funded capital budget is a mere $100m or less than 11 per cent of the total. Foreign aid pays for a third of Zambia's budget, including external interest of just over $100m and $260m of capital expenditure.

In 1996, tax revenue accounted for only 18.5 per cent of GDP. Once interest payments and the public sector wage bill have been taken into account, this leaves precious little for day-to-day operating costs, and maintenance of, and investment in, the infrastructure. Take away the donor contribution to interest charges and capital spending, and the 1 per cent of GDP budget surplus becomes a whopping 7 per cent deficit.

Despite this, Zambia fell out with its foreign supporters in 1996 not just over political issues but also over economic mismanagement.

The multilateral lenders and donors had every reason to feel aggrieved when after years of patching together the Rights Accumulation Programme (RAP) which allowed Zambia to pay off arrears owed to the IMF and World Bank accumulated during former President Kaunda's economically-disastrous tenure, Zambia promptly lurched off the rails, breaking six of the 10 benchmarks agreed with the Fund under an Enhanced Structural Adjustment Facility programme.

In Washington last year, the IMF official responsible for Zambia was transferred, making way for a new, harder line. The mid-term review of the programme, which ought to have been completed last year, was postponed and due to be approved by the IMF Board at the end of February.

The Fund agreement is crucial because without it, the World Bank is unlikely to call the donor consultative group meeting, necessary to agree an aid programme, with the bilateral donors still smarting from last year's unresolved row over governance, corruption and human rights issues.

The short-term outlook has brightened considerably. After 6.4 per cent growth last year – primarily the agricultural rebound after severe drought, underpinned by the beginnings of a recovery in manufacturing, and growth in cobalt production, tourism and non-traditional exports – GDP is expected to increase at least 5 per cent this year, following a second good rainy season.

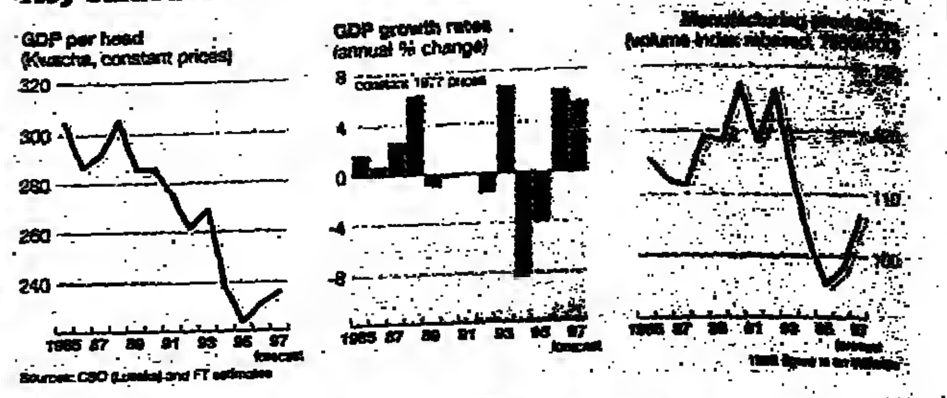
Inflation will slow from 43 per cent to about 25 per cent to 28 per cent in 1997, while interest rates will fall by at least 20 points and the balance of payments will return to overall surplus, provided the short-term capital inflows are maintained. However, this is problematic given the likelihood of significant kwacha depreciation.

But even with the benefits expected from privatisation and structural reform, the long-term prognosis is unpromising. The World Bank believes the Aids epidemic will reduce the rate of population growth from 3.6 per cent annually in 1996 to 2.4 per cent by 2005, while lopping 1.2 per cent a year off GDP growth, which the Bank projects at 4.5 per cent over the next decade.

Unless Zambia can attract really substantial – East Asian – levels of private foreign direct investment, which is unlikely, its economy will continue to underperform and it will take half a century to bring about significant improvements in the lifestyle of the 70 per cent of the population currently living in poverty.

Helping hands: Mr John Kelly, a surgeon from Birmingham, England, with patients at Monze Hospital in southern Zambia, where he has been instructing local doctors as part of a voluntary programme run by the British Executive Service Overseas (Beso).
The charity has completed 26 assignments in Zambia in the past two years, providing volunteers, training and advice. Without such help, lack of training and health facilities – as well roads, railways, electricity and telecommunications – threatens to hold back Zambia in the 21st century

Key statistics



Source: CSO (Lusaka) and FT estimates

THE STOCK EXCHANGE

New listings will help fledgling fly

New listings will drive activity on the fledgling Lusaka Stock Exchange (LuSE) during 1997 with Zambia Breweries, controlled by South African multinational SA Breweries, expected to float some of its shares during the second quarter.

The Zambia Privatisation Trust Fund (ZPTF) has appointed Citibank as the issuing house for the Zambrew issue of at least 10 per cent of the shares in the Lusaka-based brewery which were retained by government when the company was privatised in 1994.

Other likely new listings include similar post-privatisation offers by the ZPTF of shares in BP Zambia (25 per cent of the equity) the metal fabricators group, Zamefa, in which US-based Phelps Dodge is the controlling shareholder, and National Breweries, where Lonrho has a controlling stake which brews opaqua beer. The Luxembourg-listed conglomerate *Trans-Zambezi Industries* may also seek a Lusaka listing this year.

After a slow start from its launch in February 1994, the LuSE came to life last year when market turnover jumped from the $300,000 averaged in 1994-95 to $2.6bn. The volume of business in the fiva listed and three quoted companies jumped from under 8m shares in 1995 to 241m last year, but although there were three new listings – ZCCM "B" shares, also listed in London and Paris, Farmers House and Zambia Sugar – market capitalisation actually declined 48 per cent to $229m.

It has since more than doubled, chiefly reflecting speculative buying of ZCCM shares ahead of privatisation. By mid-February, with ZCCM shares quoted at K3,600 – there were no trades at that level which was way below the Paris price of K5,891 – the LuSE market capitalisation had risen to almost $500m, of which ZCCM accounted for more than half. However, this is a somewhat artificial calculation given the fact that less than 11,000 of the 89.3m ZCCM shares were held in the Lusaka share depositary.

A welcome feature of last year's activity was the growth of foreign participation. Some 48 foreign investors took up more than 40 per cent of the Zambia Sugar share issue, buying $1.4m worth of shares, while in secondary market trading foreigners accounted for 90 per cent of business during 1996, with trades valued at close to $2.4m.

Future prospects, driven primarily by the sale by ZTPF of the state's minority holdings in privatised companies, are bright. Over the next few years, Zambian and foreign institutions and investors will be able to participate in a widening range of businesses that will give exposure to most facets of the Zambian economy. Eventually this will include the state's minority stakes in the demerged ZCCM.

Tony Hawkins

Street vendors stockpile their assets: Zambia Sugar shares attracted foreign investors

THE BUDGET • by Tony Hawkins

Situation is extremely fragile

Foreign taxpayers may soon be picking up 34 per cent of Zambia's budget tab

Businesses and donors have both broadly welcomed the 1997 budget of Mr Ronald Penza, finance minister, although it contained no startling new initiatives.

The 2.5 per cent reduction in the rate of VAT to 17.5 per cent came as something of a surprise given the anticipated reduction in donor assistance, but so long as the tax base is growing rapidly – and Mr Penza is forecasting 5.5 per cent after last year's 6.4 per cent growth in gross domestic product – tax cuts are possible.

Worries that last October's elections would provoke a flurry of unbudgeted spending proved unfounded, and the domestic budget – excluding aid – returned a small surplus (K53bn) despite increased spending on interest costs and the repayment of domestic arrears. VAT and trade taxation revenues were well ahead of budget too.

Although Mr Penza has budgeted for a surplus of K63bn (1 per cent of GDP) on the domestic budget this year, the hard reality is that the real budget deficit – before foreign funding – remains unsustainably high at 7 per cent of GDP.

If Lusaka can patch up its relations with the donor community – which is probable, but cannot be taken for granted – foreign taxpayers will be picking up 34 per cent of Zambia's budget tab. This is a highly fragile situation given the increasingly parsimonious attitude of Organisation for Economic Co-operation and Development parliaments.

Last year's budget surplus is being used to retire short-term domestic debt which is having the beneficial effect of forcing down interest rates. The Treasury Bill rate had tumbled 14 points by mid-February to the low 40s with further falls anticipated as inflation (33 per cent in January) continues to slow.

Dr Jacob Mwanza, governor of the Bank of Zambia, is even more optimistic than the finance minister, predicting inflation in single figures by the end of 1997, compared with Mr Penza's more cautious 15 per cent. Average inflation for the year could fall from 43 per cent last year to 25 per cent or even lower, bringing bank lending rates down to the mid-30s from 57 per cent in January.

Getting the monatary policy mix right is not going to be easy. The worry must be that sharply lower lending rates will fuel private sector credit growth, resulting in faster money supply expansion that will reversa the current slowdown in inflation. It is also likely to mean a weaker kwacha. After last year's 15-20 per cent real appreciation of the currency, this would be no bad thing, although it will have an inflationary impact.

Certainly, sustaining rapid growth in non-traditional exports will become increasingly difficult if the authorities allow – even encourage – the real exchange rate to appreciate again during 1997.

With firmer copper prices since the new year, and with some limited signs of a thaw in donor relations, the short-term balance of payments outlook is more cheerful than only a few months ago.

The kwacha stood up far better than expected last year – despite the aid freeze and catastrophic decline in copper earnings – thanks to significantly improved cobalt exports, strong growth in non-traditional exports and a remarkably buoyant capital account performance.

The bulk of this was short-term funding, for which there are few convincing explanations, other than the suggestion that soma of it should have been classified as direct investment, while some represented speculators taking a punt on high real interest rates and the stable kwacha, and some offshore borrowing by Zambian exporters.

The current account deficit at 12 per cent of GDP in 1996 is far too high for comfort, especially when its financing is dependent on uncartain private sector short-term cash flows and problematic donor funding.

With the Bank of Zambia upbeat about long-term, as well as short-run inflows, the slightly lower projected current account deficit for 1997 is forecast to be more than financed by capital inflows, resulting in a $50m build-up in the country's depleted foreign reserves.

Zambian ministers and officials hope that the country will qualify for the World Bank-IMF debt initiative for highly debt-stressed countries. But with a debt of $6.4bn and a debt-service ratio last year of about 20 per cent, Zambia is not likely to be at the top of this list, especially since the IMF and Bank are likely to demand at least two years of good performance under the Enhanced Structural Adjustment facility programme before contemplating debt forgiveness.

The disturbing aspect of all this is that for all Lusaka's rhetoric about increasing self-reliance and reduced dependance on donors, the numbers portray an economy that, for the foreseeable future, will have to relay hugely on foreign capital inflows of one kind or another.

If the Zambians can get their act together sufficiently to switch from aid to a mix of foreign investment and trade, so much the better. But the unhealthy focus on donor attitudes and opinions suggests that this necessary realignment of Zambian financing is still some way down the road.

The kwacha stood up better than expected thanks partly to strong growth in non-traditional exports – such as these roses en route to Europe from York Farms, an enterprise near Lusaka managed by the Commonwealth Development Corporation

INTERVIEW WITH PRESIDENT FREDERICK CHILUBA • by Michela Wrong

At the heart of politics

President Chiluba defends the delay in privatising Zambia's vital copper mines, acknowledges a chilly relationship with aid donors, and remains unrepentant about constitutional changes which precluded his predecessor, Mr Kenneth Kaunda, from standing in last November's poll.

Question: Do you regret the long delay in privatising Zambia Consolidated Copper Mines (ZCCM)?

Answer: Not at all. This is our biggest public asset. So mining is not just an economic activity, it lies at the heart of Zambian politics and one has to be very careful. Every Zambian has an interest in copper. The delays were not intended, they were the time it took to handle this matter with the necessary care.

Our economy is essentially a mono-economy and for a long time to come we will have to count on copper. With the exception of the last two years, the picture has been very sad. Partly because of a lack of capitalisation, when the market price was good, we failed to benefit because of low production and when production picked up the price was low. We were moving in circles.

Have the reform programmes drafted by the International Monetary Fund and World Bank been suitable for Zambia?

The biggest problem is the inability of the two institutions to look at countries in their peculiarity. But the one great lesson which we've learnt and for which I thank them eternally is their insistence on countries consuming what they are best at producing and lessening their dependence on the outside world.

For all their crimes and evils, that lesson alone makes them good friends of the countries they reform.

The latest budget caters for donor aid coming in, but at lower levels than has been the norm.

For the first time in that budget, we are saying that Zambians have a duty, an obligation, a responsibility, to develop, to work, to sweat, to toil, to produce certain things in their own country. You can't depend on the British, the Americans, the Germans, the French, the Japanese to pay your salaries here. You must generate your own money.

On matters of great importance, yes: ask them for help. But we must not look to that aid as the primary reason for our efforts to move forward. We must take the lead in helping ourselves.

Your relations with the bilateral donors are strained and in fact bilateral aid has been suspended. Do you believe that suspension will be lifted?

It is true, relations have been somewhat chilled; a little colder than we would have liked. We were not opposed to the views of the donor countries but to the way in which they made those views known, which we felt was a little inappropriate in a democracy.

What about the issue that triggered the aid freeze – amending the constitution in a way that prevented Kenneth Kaunda from standing?

The people have the right to change their constitution. We set up a multi-party commission including opposition members, the church and non-governmental organisations, who went around the country canvassing opinions. Only then did the MMD give its opinion.

Dr Kaunda was not being aimed at. At the time the commission was appointed, he had publicly announced his retirement from politics. If he had kept his word and retired, this controversy would have been avoided.

Meanwhile, although the budget caters for bilateral aid coming in at lower levels than has been the norm, the fact remains that aid has been suspended. Do you believe that suspension will be lifted?

The international community understands that poverty anywhere constitutes danger everywhere. The world's resources need to be distributed from countries that are doing well to those in need. If those governments consider aid as charity, maybe they won't continue to bring it. If they consider it a necessity for the human race to share the wealth of the globe, then there will be transfer.

Why not help those who are helping themselves? We depend on the goodwill of our friends but we cannot force them.

Some diplomats in Lusaka say they are looking for a goodwill gesture from the government, such as a crackdown on corruption. Is there any serious move planned on that front?

It is a total misconception for our partners to think they are forcing these things down our throats. Corruption is a vice and it is in our own interest as Zambians to remove it. The Anti-Corruption Committee has been set up and all that remains is to appoint people to the board. We have already taken certain measures that don't exist in other countries.

What is incomprehensible is that because we have adopted high standards, we are now judged by those high standards.

The MMD now has a crushing majority in parliament, the opposition is out in the cold and only a few independents have seats. Would it not be healthy to try and embrace the opposition in the political process?

It's ironic that a government which is an outright winner is being asked to form a coalition. You could expect that to be asked of a minority government, not a majority government. But even if there was not a single independent in parliament, the government remains accountable to its constituencies.

One can never become complacent and forget the voter.

Are you hoping to benefit from the recent IMF proposals to alleviate the debt burden on the world's most heavily-indebted countries?

We believe we qualify for a heavy write-off or reduction of external debt. What have we failed to do to see the structuring programme through? When we took office, 40 per cent of our GDP [gross domestic product] was going towards servicing our debt. In such circumstances there's little or nothing remaining for investment; you make one step forward and seven steps back. We need help.

Looking back on your five years in office, what do think you have achieved?

We've seen a remarkable turnaround, especially in people's attitudes. We've moved from an emphasis on consumption to an emphasis on production; a realisation that we've depended too much on things we didn't produce ourselves.

Our people now believe you can only expect something when you work, and that extends to government services such as hospitals and schools.

The world doesn't owe us a living. In agriculture, many difficulties remain with crop financing and marketing, and that's why the government hasn't pulled out completely. Tourism has started contributing again to our economy and its potential is almost limitless. The benefits of reform have started trickling down, although not many people can see that yet.

Chiluba: 'The benefits of reform have started trickling down'

PROFILE The Commonwealth Development Corporation

Investing in fresh fields

With investment of £55m in Zambia over the past five years, the Commonwealth Development Corporation (CDC) is arguably the country's largest single foreign investor since the launch of reform in 1992.

Zambian investment now accounts for 3 per cent of the CDC's total portfolio, making it the corporation's largest investment site in Africa.

For the most part, the 1990s investment has focused on traditional areas such as agribusiness, cement and financial services. But with its involvement in a consortium with a technical partner, South Africa's Anglovaal mining group, to develop the exciting Konkola North copper property, the CDC is moving into largely unfamiliar territory.

The group's participation in Zambia dates back to the 1940s when it invested in Chilanga Cement, subsequently nationalised in 1972 by the Kaunda government.

Privatisation enabled it to buy back a 50.1 per cent controlling interest, since when the CDC has embarked on a $50m rehabilitation and expansion programme.

Chilanga, now listed on the Lusaka Stock Exchange, serves the local and export markets (Malawi, Zaire, Zimbabwe).

Mr Ernest Mtamboh, CDC executive in Lusaka, says expansion is needed because once post-privatisation development of the Copper Belt takes off, Chilanga will not have the capacity to satisfy local demand.

Its technical partner in Zambia Sugar, also a privatisation purchase, is

CDC participation in Zambia dates back to the 1940s when it invested in Chilanga Cement

UK multinational Tate & Lyle which has 50 per cent of the equity. The CDC owns 28.1 per cent and is participating in a $70m expansion programme to expand production to 250,000 tonnes a year from 150,000. The company is having an important impact on development through its encouragement of sugar outgrowers.

The CDC has controlling interests in a number of substantial farming properties focusing on the production of coffee, wheat, maize, soya beans and vegetables and horticulture. Its York Farms property (51 per cent owned) exports roses to Europe and vegetables to the UK, supplying the Tesco food chain. The CDC produces three-quarters of Zambia's coffee, and exports wheat and soyas to South Africa.

With the purchase of a warehouse in Kitwe – also a privatisation deal – the CDC has moved upstream with an $8m investment in a flour and maize mill with the capacity to produce 7 tonnes an hour of flour and maize meal.

Other industrial investments include a $10m loan – part of a $30m co-financing package with the African Development Bank and the European Investment Bank – to a leading textile exporter, Swarp Textiles. The CDC has also lent £5m to a pharmaceuticals manufacturer, Gamma Pharmaceuticals.

The group bought a finance company, Industrial Credit, from Lonrho and Standard Chartered Bank into which it has since injected $7m with plans for a further $10m.

Future developments are dominated by planned diversification into mining. With Anglovaal, CDC has bid for the Nchanga-Nkana package in the unbundling and privatisation of ZCCM, and is also a bidder for Chambishi mine. It is looking at bidding for control of Maamba Collieries which could involved an investment of $20m and two smaller properties, Ndola Lime and Nampundwe Mine which produces pyrites.

With its participation in Konkola North and assuming that some of its bids for ZCCM privatisation are successful, CDC is set to become a significant player in Zambia's mining industry in the 21st century.

The group's strategy in Zambia is driven by its confidence in the long-term impact of the economic reform and privatisation programmes, without which very little – if any – of this investment would have taken place.

Tony Hawkins

POLITICS • by Michela Wrong

Elections leave a bitter legacy

Reconciliation with aid donors is proving to be a difficult and slow process

Arranging to meet an opposition leader, ruling party politician or journalist in Zambia these days is a frustrating experience. A call to their office brings a uniform response: "I'm afraid he'll be in court that day."

The plethora of legal actions being fought across the country – ranging from libel cases against newspaper editors to cases challenging President Frederick Chiluba's origins and opposition leader Kenneth Kaunda's nationality – is a measure of the bitterness created by last year's elections.

The November polls – staged under a new constitution that prevented the main contender from standing and using an electoral register that embraced only half of the country's eligible voters – left a sour taste.

Many ordinary Zambians, whether supporters of the ruling Movement for Multi-party Democracy (MMD) or Mr Kaunda's United National Independence Party (Unip), felt ashamed of a process that undermined their country's reputation as a democratic model for the continent, lumping Zambia with other African nations whose leaders bend the rules rather than risk losing power.

Once-cordial relations between the government and bilateral donors, who cut off balance of payments support in protest at the electoral shenanigans, are badly damaged, with neither side yet willing to apologise for harsh words exchanged.

The sad part is that the trauma was entirely avoidable. Political analysts agree that if Mr Kaunda had been allowed to stand, President Chiluba and his party would easily have triumphed among a population that still remembers the abuses committed during the former president's 27 years at the helm.

Instead, the MMD panicked, adopting a constitution that not only excluded Mr Kaunda on the grounds that his parents were Malawian but also made it impossible for his vice-president to stand because he was a traditional chief.

With Unip and six other opposition parties boycotting the polls, the result was a landslide for the ruling establishment. The MMD now controls 130 of the 150 parliamentary seats.

But the fact that little more than half the 2.2m registered voters bothered to cast their votes raises fundamental questions over the validity of the government's mandate. It also accounts for the tone of defiant belligerence from the authorities, and their hyper-sensitivity to criticism.

In choosing to sacrifice $140m in 1996 balance of payments funding – and to jeopardise an aid relationship that at its height has brought an annual $1.48 bn into Zambia – the government was taking a calculated risk.

It assumed that once the elections were safely won it would be able to woo back the donors, understandably reluctant to turn their backs on Zambia after years of support at levels envied by less favoured African states.

Certainly, with the rest of central Africa teetering on the edge of chaos, it has always been a question of when, rather than if, aid is restored to one of the region's most stable states.

"The Zambians looked at what Zimbabwe and Kenya had managed to get away with and took their cue from that," says Mr Guy Scott, head of the small Lima opposition party.

Kaunda: the population still remembers abuses during his era

Sure enough, the first tiny signs of rapprochement are there. After a long break in communications, Mr Ronald Penza, the finance minister, has recently started meeting western ambassadors again. He talks optimistically of a "new spirit of co-operation" with the donors who, he claims, now accept that the polls were fair.

But the fact that Mr Penza is ready to see acceptance of a flawed process where none exists, and other senior officials report signings of new aid agreements where none have occurred, reveals the extent to which the pragmatists in government are alarmed by the slow pace of reconciliation.

Acting as a strong brake on the process is the increasing radicalisation of the MMD, which has progressively shed its moderates since starting out as a broad-based movement united by its rejection of Mr Kaunda.

"Chiluba is getting more dictatorial and authoritarian by the minute," says one ambassador. "The number of people with influence over him have declined, and they are now the hard men who feel most rancour towards the donors. There are no more moderates."

To many people's surprise, the government has continued to squash dissent since its electoral victory, threatening to seize the assets of non-governmental organisations, suspending journalists in the state media and raiding the offices of monitoring groups that declared the polls flawed.

"The MMD hasn't understood that when you win you become magnanimous," comments a diplomat.

It has shown no signs of being ready to make concessions to Unip, now staring slow obliteration in the face. Burdened with a 72-year-old leader who cannot stand in the next elections, in 2001, and boasting not a single parliamentary seat, the party can do little more than challenge the polls in the courts and threaten a campaign of civil disobedience.

"We can only call for dialogue; they have to respond. But at the moment they aren't prepared to make concessions," says Mr Muhabi Lungu, Mr Kaunda's spokesman. "They want the kind of dialogue that is a public relations exercise."

The donors, too, are waiting for the government to start talking – adamant that they will not make the first move. They are looking for concrete gestures of goodwill, such as a halt to the crackdown on the press and action by the newly-formed anti-corruption committee, before they will consider resuming funding.

But in the current climate, with the hardliners still vocal, donors say it is quite possible that a pledging session in Paris will be delayed until December, meaning an entire year will have been lost.

A long delay carries great risks for Zambia. With foreign governments under domestic pressure to cut aid budgets, it seems certain that when aid eventually does resume, it will be at nothing like its former levels, when it accounted for as much as 77 per cent of total government expenditure.

"Several of my colleagues have already signalled that when they resume aid it will be at dramatically lower levels," acknowledges an ambassador. "The world has moved on. In 1991, Zambia was flavour of the month. Now there are new flavours of the month."

Much depends on which MMD camp – the hardliners or the moderates – Mr Chiluba decides to heed in the coming months.

Pessimists fear his new mandate will make the presidant more arrogant, the repression will continue and he could even go so far as to tinker with the constitution again to allow himself a third term in office.

Optimists hope to see a general easing up by a president who now has little to fear from the opposition and may be more concerned with the nature of the legacy he leaves his country.

THE COPPER INDUSTRY • by Mark Ashurst

On the brink of bankruptcy

Foreign investors seem undaunted by the spectacular demise of the industry

The fate of the copper industry remains one of the largest unresolved questions facing the country

"Everyone knows that sooner or later the government will take control... but nobody is prepared to say so. Nor when it is likely to happen, nor how it will happen, nor even when and how (and whether) it ought to happen... The eventual fate of the copper industry stubbornly remains one of the largest unresolved questions facing the country."

Almost three decades have passed since Mr Michael Faber, academic and former adviser to the Zambian government, offered this analysis of the copper industry on the brink of nationalisation.

In the intervening period, production has fallen steadily from its 1969 peak of 720,000 tonnes to 327,473 in 1996. The resulting slump in national income sparked the social unrest which in 1991 ended 27 years of autocratic rule by Mr Kenneth Kaunda, Zambia's founding president. Since then, rising debt and a faltering cashflow have pushed Zambian Consolidated Copper Mines to the brink of bankruptcy.

Its imminent privatisation, due to be concluded this year, is the most ambitious economic reform since President Frederick Chiluba's ruling Movement for Multiparty Democracy came to power five years ago. But despite a sea change in sub-Saharan politics, and the economic orthodoxies that accompanied it, the motives for privatising ZCCM have much in common with those which led to nationalisation in 1970.

Then, as now, there was consensus that copper production "should be increased beyond current plans" although Mr Faber writes that this was tempered by the unwelcome knowledge that "substantial ore-bodies which could be mined are, in present circumstances, not likely to be so".

Second, in a faint echo of Mr Kaunda's past ambitions, officials at the Zambian Privatisation Agency argue that a booyant copper industry could accelerate industrial development and restore per capita incomes to their highest level since the 1960s. But to this day, the fate of Zambia's copper industry remains one of the largest unresolved questions facing the country.

The burgeoning exploration and prospecting activities in the Zambian Copper Belt over the past three years testify to the promise of the ore reserves still to be developed, although new projects will be highly geared to fluctuations in the copper price. But despite robust demand, the heyday of the world copper industry has passed.

Between 1929 and 1960, world copper consumption rose from 2m tonnes to 4m tonnes. By 1976 demand had more than doubled again to 8.5m tonnes, compared with its current level of about 10m tonnes a year. This phenomenal growth was driven largely by electrification, which brought the proliferation of lights, motors and telephone cables.

It was the promise of this exponential growth, and its potential to consolidate the influence of rival colonial powers in Africa, that attracted the first prospectors to the Copper Belt in the late 19th century.

The origins of state control of the copper industry can be traced to the eve of Zambian independence in 1964 when the British South Africa company, founded by Cecil John Rhodes, surrendered its rights to the mineral reserves of the colony then known as Northern Rhodesia.

Faced with a sudden ultimatum – an offer of £2m each from the British and Zambian governments for all the nation's mineral rights, or nothing – directors were given just 11 minutes to reach a decision.

The company's acceptance was announced to the public three hours before the Zambian flag was raised at the independence ceremony. The deal marked the end of what Mr Kaunda described as "the saddest economic arrangement ever made in this country". In the years to 1963, an estimated £82m in mineral rights were claimed by colonial powers.

Mr Kaunda's next move to divert copper profits from foreign shareholders came in 1970 when the state took a 51 per cent stake in Nchanga and Roan Consolidated. South Africa's Anglo American and Amax, the US-based group, retained 49 per cent of the share capital of the respective mines and continued to manage them until the mid-1970s, when their contracts were terminated.

Amax subsequently withdrew, while Zambia Copper Investments, a subsidiary of Anglo, retained a 27.3 per cent stake in ZCCM, the new group formed when the mines were merged in 1981. "It has been difficult for us to exert any influence at board level. ZCCM was a portfolio investment," says Mr Anderson Mazoka, Anglo's managing director in Lusaka.

The subsequent decline of the Zambian copper industry, which has slipped from its 1970s position as the world's fourth-largest copper producer to 12th place last year, is well documented. Its demise began with the world oil crisis in 1973 which slowed industrial development, drove down copper prices and created a shortage of foreign exchange. The government reacted by retaining the majority of the mines' foreign earnings to fund its programme of social and infrastructural development.

From that point on, recalls Mr Geoff Casson, senior manager of corporate planning at ZCCM, "the industry ate its own capital and relied on loan finance to develop short-term surface projects. There was no replacement of reserves, and by the time ZCCM was formed in 1981, we were starting to see the cracks in the walls."

In the 14 years prior to nationalisation, while copper output rose by 80 per cent, capital investment amounted to less than half the sum of dividends sent abroad. The impact of Mr Kaunda's intervention was exacerbated by Zambia's dependence on copper earnings; in a virtual monoeconomy, the metal traditionally contributed 90 per cent of export earnings.

Although last year's slump in the copper price and the rapid growth of non-traditional exports has begun to erode this figure, lower copper production in 1996 was the main cause of an 18 per cent drop in export earnings to $974.9m.

The shortage of capital has become progressively more acute. Since the early 1990s, ZCCM has vetoed any capital expenditure that did not bring a return within 18 months. But production costs at its ageing mines have followed an upward path since the 1930s, when the Copper Belt mines were among the lowest-cost producers in the world. During the depression of 1932, these mines sold copper at 3 cents a pound, compared with the cheapest American price of 7 cents.

Today, ZCCM is in the top quartile of high-cost producers. The cash-starved group currently sits with external debt of more than $600m, and short-term debt of $150m-$200m owed to local suppliers. The total debt is broadly in line with ZCCM's net asset value. "If it came to a push, I think that ZCCM can meet its creditors," says Mr Willa Mung'omba, head of the Zambian Privatisation Agency's ZCCM task team.

It is a mark of the industry's spectacular demise that even this precarious position is now presented as grounds for confidence among foreign investors daunted by the scale of the task ahead.

PRIVATISING ZCCM • by Mark Ashurst

Spectacular interest from global industry

The critical question is whether the business can be revived

For a company too poor to lay off its workers, the interest from the global mining industry in the privatisation of Zambian Consolidated Copper Mines (ZCCM) is spectacular.

Cash flow at the ailing conglomerate is so tight that the group can not meet the cost of redundancy payments at exhausted mines, but concrete evidence of optimism among foreign investors includes:

- The signing last month of a long-awaited memorandum of understanding between the Zambian government, ZCCM, Anglo American and Gencor of South Africa, and Falconbridge, the Canadian group; to carry out a feasibility study into the development of Konkola Deep;
- The sale in late January of Kansanshi, a marginal mine producing less than 1,000 tonnes of copper annually, to Cyprus Amax, the US group, in a package priced at $28m. The deal compares favourably with the premiums paid for copper deposits in the bull markets of Chile and Peru;
- The issue of new prospecting licences, which has progressed so rapidly that the government's map of exploration activity is routinely out of date within weeks of publication;
- The flurry of interest among international mining groups considering an offer for ZCCM's existing assets. From the 37 majors which prequalified to bid for the various tranches of ZCCM, a total of bids were received by N M Rothschild, the investment banker appointed to manage the sale, by the deadline of February 28; and
- The emergence of Zambia Copper Investments, the subsidiary of Anglo American, as a favourite speculative stock among mining investors. The company's only interest is a 27.3 per cent portfolio investment in ZCCM, but ZCI has emerged as an enigmatic counter highly geared to the perceived prospects for Zambian copper. Earlier this year, the shares doubled in value over one weekend on rumours of new discoveries at Konkola Deep.

ZCCM is in dire need of new capital for long-term development

The activity is particularly noteworthy given ZCCM's crushing debt, and its history of poor investment in new ore reserves. The group's external debt, which includes tranches of multilateral loans secured through the Zambian government, is estimated to exceed $600m.

In addition, ZCCM owes $150m-$200m to local suppliers and creditors, many of whom exploited the volatility of the Zambian kwatcha and the strict exchange control regime of the 1980s to inflate prices well above international equivalents. The group's total debt of about $800m is broadly in line with the group's net asset value.

With estimated copper production of 350,000 tonnes this year, about half the level of the early 1970s, the rationale for the privatisation is clear.

First, ZCCM is in dire need of new capital for long-term development, which the state can not afford.

Second, the experience of state intervention – which deprived ZCCM of its foreign earnings and guaranteed contracts for local suppliers in place of competitive tendering – has highlighted the need for private sector disciplines.

According to Mr Geoff Casson, senior manager of corporate planning at ZCCM, local suppliers have made "no real attempt" to lower costs.

For new operators in Zambian mining, however, the critical question is whether the business built by ZCCM can be revived – or whether its prospects are limited to new deposits. Few doubt the potential of the undeveloped reserves, and the best-known deposits are set to attract substantial development. "The estimated cost of developing Konkola Deep is $700m-$800m, and confidence has been buoyed by Anglo's decision to include an option on a marginal mine with 6,000 employees at Konkola and a nearby smelter at Mufulira in the deal.

Archives have helped new arrivals to develop exploration strategies

Neighbouring Konkola North was sold to Anglovaal last year, partly in response to ministers' frustration with the slow pace of negotiations over Konkola Deep, and is expected to absorb $1bn. "We've done an enormous amount of work and we are committed to 50,000 metres of exploratory drilling," says Mr Derek Kyle, director of new business at Anglovaal, which has spent about $15m to date on exploration in Zambia.

Although much of the data previously assembled by ZCCM, Anglo American and their predecessors has still to be analysed using modern methods, the archives have helped new arrivals to develop detailed exploration strategies.

The existing operations are more fragile. An internal audit carried out by ZCCM in the early 1980s calculated that to sustain annual copper production of 500,000 tonnes would require new capital investment of $300m a year.

That figure has never been achieved, with the result that most of ZCCM's operating mines are now 20-30 years old with costs in the top quartile of the global industry. The workforce has been reduced from more than 50,000 to 42,000 in the past five years, and a further 15 per cent could be sacrificed by new owners.

The methodology of privatisation has sparked fierce debate. After four years of delays, the Zambian Privatisation Agency has opted to unbundle ZCCM's assets for sale in nine separate packages, each including new mining prospects. ZCCM will retain 20-30 per cent of each one.

Mr Willa Mung'omba, head of the agency's ZCCM task team, says short-term debts will be written down using the proceeds of the sale, while "a substantial amount of long-term debt will have to be relocated (to the various packages)".

However, not all the marginal mines will find suitors, and those which are not sold will remain temporarily in ZCCM pending disposal. The precise contents of each package remains negotiable, and it is in the months following the bidding deadline of February 28 that the toughest work will be done.

Arguably the most enduring problem is debt, for which a new home can not be found until the final structure of the packages is known. Once the debt burden can be shifted to the new owners, ZCCM will be transformed into a holding company with minority stakes in its former assets.

This approach runs counter to the advice of Anglo American, which advised ZCCM in 1992 to authorise a rights issue to re-capitalise ZCCM. Mr Anderson Mazoka, Anglo's managing director in Lusaka, argues that a share issue would have provided instant capital, while the disposal of ZCCM's controlling interest to new buyers could have averted fears of a monopoly.

In terms of an amalgamation agreement between Anglo and the Zambian government, each has a first right on the other's shares in the event of a substantial disposal. Anglo is "not interested" in a general bid for ZCCM, says Mr Mazoka, but its efforts to secure management control have been rebuffed. The ZPA's preference for unbundling is a more complex mechanism of raising capital, but one designed to avoid a concentration of ownership.

Whether that route will be justified by an influx of development capital from an array of competing investors will become clear in the months ahead.

MANUFACTURING INDUSTRY • by Tony Hawkins

Glimmerings of recovery

Inadequate electricity, roads, telephones and security cause serious problems

Almost all indicators suggest that 1996 was a watershed year for manufacturing industry.

After peaking in 1990, the volume of manufacturing production plunged 25 per cent in the following five years to its lowest level since the late 1970s. But last year there were the glimmerings of recovery as value added rose 2.5 per cent. Some believe that the recovery was a good deal stronger than this, with manufacturers on the Copper Belt reporting volume growth of 25 per cent.

The signs are that manufacturing will grow significantly faster this year. Mr Mark O'Donnell, chairman of the Zambia Association of Manufacturers, is bullish about the prospects for non-traditional exports which have increased 150 per cent over the past six years from $90m, excluding electricity, in 1990 to an estimated $230m last year. Non-traditionals now account for a quarter of total exports – up from 8 per cent in 1990.

According to the Export Board of Zambia, non-traditional exports now account for some 40 per cent of the production of companies it surveys, with the main categories being floriculture, semi-precious stones, textiles, primary agricultural goods and chemicals and engineering products. Some 37 per cent of non-traditional exports go to European Union countries, with Britain accounting for almost a third of this business and Germany for more than a fifth.

Another 37 per cent goes to regional trading partners, excluding South Africa, dominated by Zimbabwe and Zaire which between them account for almost two-thirds of the regional trade. Malawi and Tanzania are also significant importers. South Africa accounts for 8 per cent of the total, putting it in joint fourth place with Germany, behind Zimbabwe, Zaire and the UK.

Mr O'Donnell is upbeat, too, about future trade links with South Africa with whom Zambia hopes to negotiate a bilateral agreement. He believes a most-favoured-nation agreement with South Africa, that reduced tariffs by 50 per cent, would substantially increase Zambia's access to the South African market.

Zambian industrialists cite the infrastructure – especially the roads – and a "critical shortage" of skills as the main constraints on growth in the late 1990s. Although the government is to invest $500m in road rehabilitation and development, this will only alleviate the situation significantly towards the end of the decade.

While welcoming the 2.5 per cent reduction in VAT to 17.5 per cent, industrialists say they would like to see a further cut to 15 per cent, allied with greater investment incentives with accelerated depreciation allowances over two to three years rather than the existing five years.

Zambia's basic corporate tax rate of 35 per cent is competitive within the region, and particularly for agriculture and non-traditional exporters who pay only 15 per cent company tax, while companies listed on the Lusaka Stock Exchange pay 30 per cent.

If investment certificates issued by the Zambia Investment Centre are any guide, manufacturing is the sector attracting most new investment. In the four years to 1996, the centre licensed more than 300 new manufacturing projects worth $322m, closely followed by agricultural projects valued at $298m. Between them, these two sectors account for two-thirds of "pledged" investments since 1993, worth $950m. There is, of course, no guarantee that licensed projects will actually go ahead, and all projects do not go through the centre, so its licences do not capture all the new investment being undertaken.

Not everyone shares the fragile optimism of Zambian industrialists. A recent World Bank study notes that "experience so far does not offer much basis for optimism that manufacturing can be an important driving force of Zambian development in the short-to-medium term; non-resource-based manufacturing seems especially poorly positioned".

Viewed solely from a cost perspective, the Bank says Zambia is "surprisingly competitive" as an export market for clothing manufacturers. Its labour costs (in mid-1994) of $30 a month for factory labour are well below those of countries such as Zimbabwe ($60 a month), Kenya ($40), and Mauritius ($110) that have managed to break into global export markets. Even with lower productivity, Zambian costs remained advantageous.

But there is far more to successful exporting than cost competitiveness. The World Bank finds Zambia lacking in the experience and capacity to produce large-volume orders; to meet the stringent production and quality specifications required; to satisfy delivery schedules; and to attract investment by some "international market player" that would set a learning process in motion for Zambian manufacturers to copy.

Despite this, the World Bank's baseline scenario for the 1994-2005 period projects manufacturing growth of 4.3 per cent annually; only fractionally slower than the 4.5 per cent growth rate of GDP.

But even this modest growth will prove elusive without the appropriate enabling environment. In the World Bank's words: "Infrastructure is highly inadequate for manufacturing companies that aim to conduct their business according to modern standards. The most serious problems are caused by inadequate electricity, roads, telephones and security".

Given these problems, manufacturing's recovery is going to be a slow business, albeit one that will be boosted enormously once copper privatisation is up and running.

On present form, it will take until the year 2000 to regain production levels of the early 1990s, but Zambian manufacturing in the 21st century will be very different from that of the 1980s, if only because it will be much more export-oriented, though remaining strongly resource-based.

PROFILE Valentine Chitalu, chief executive of the Zambia Privatisation Agency

Critical role in the economy's rescue

The constitution dictates that Zambia will need a new head of state by 2001, when President Frederick Chiluba is due to complete his second term in office. Mr Valentine Chitalu does not want the job.

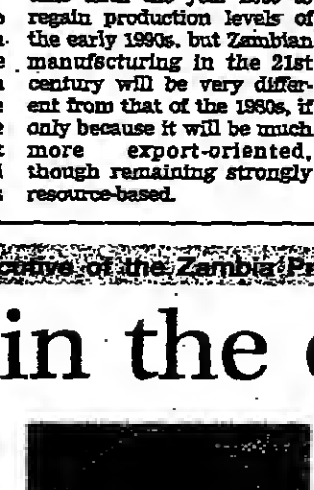
The 32-year-old chief executive of the Zambia Privatisation Agency says his task of dissecting the state-controlled economy is critical to the health of the young democracy. And in the absence of an obvious successor to President Chiluba, some say his track record would make him a favourite choice among the foreign donors whose support is vital for Zambia's economic reforms.

Mr Chitalu rubbishes the suggestion. His growing reputation as the architect of Africa's most successful privatisation programme is no qualification for the job, he claims. "I have never worked in the public sector before, and I don't like the smell. I am looking forward to going back to the private sector."

The speculation, albeit unfounded, is a mark of the symbiosis between Zambia's privatisation programme and its faltering transition to a modern, multi-party democracy.

"Democratic adjustment is very much dependent on structural adjustment," says Mr Chitalu. "Zambian democracy is not of a quality that donors want because the economy is still in state hands. When 80 per cent of the economy is in private hands there will be a more even distribution of political power".

Mr Chitalu believes the threat of one-party dominance has highlighted the importance of economic reform. Democrats, he says, must pin their hopes on the private sector, not the government, to reform the country.



Chitalu: controversy reinforced his reservations about foreign aid

That process could be stalled if the diplomatic impasse becomes a deterrent to foreign investors, he says. Mr Chitalu wants "enough foreign interests so that it will become impossible for diplomats to take action that will hurt their own companies".

The political controversy has reinforced his reservations about foreign aid. He sees the acute disappointment among foreign donors as a counter-reaction to the extraordinary support given to Zambia in 1991, when Mr Kaunda lost power after 27 years at the helm of a one-party state.

"We are living beyond our means. A more normal level of donor support will help us attain reality.

"We need to strengthen institutions like the ZPA, which act as a check on government," says Mr Chitalu. Of 11 directors on the ZPA board, eight are nominated by organisations in the private sector.

Mr Chitalu, a former merchant banker and UK-qualified accountant, with a masters degree in development economics from Cambridge, has played a critical role in rescuing the Zambian economy.

Five years ago, the country was on the brink of economic collapse. Today, the privatisation orchestrated by Mr Chitalu has triggered a surge in foreign investment, and rapid growth in export-oriented industries.

Mr Chitalu has now embarked on his toughest assignment yet – the privatisation of Zambian Consolidated Copper Mines. Recovery means securing new capital for a group with an estimated $800m of debt at a time of weak copper prices.

The easiest path would have been to accept a general offer from a consortium led by Anglo American, which already holds 25 per cent of ZCCM. But Mr Chitalu is wary of an excessive concentration of power in the private sector. Consequently, the ZPA will unbundle the biggest mines, package them with new prospecting rights, and sell them individually.

"The route is still open to buy the whole thing. But anyone who does that will have de facto control of the economy," he says. "No-one wants that. We will let the market decide."

Mark Ashurst

The African Economic Revival starts here

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Nitrogen Chemicals of Zambia is one of many companies up for privatisation.

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TOURISM • by Stephanie Gray and Michela Wrong

Developers queue up

Ministerial foot-dragging has, until recently, delayed privatisation

When Mr Ben Parker and his business partner first started clearing bush on the north bank of the Zambezi to make room for a lodge, they were laughed at by developers across the river in Zimbabwe. "They thought we were nuts to be setting up in Zambia. They couldn't believe it."

Seven years later, the British-owned Tongabezi lodge, 15km from the Victoria Falls, caters for the top end of the tourist market, providing the kind of service and facilities signally absent at the superbly-located but decaying government lodges downstream.

Guests pay $260 and more a night, for the chance to stay in its tented rondavels perched picturesquely on a vast sweep of jungle-fringed river, canoe alongside snorting hippos, and fall asleep listening to a hypnotic chorus of frogs and crickets.

And much to Mr Parker's dismay, those who once mocked are now playing copycat. Shearwater, the Zimbabwean hotel chain, wants to build a lodge next door to Tongabezi, violating environmental recommendations that riverbank developments should be separated by at least half a kilometre.

"This is a test case. If Shearwater are allowed to go ahead, this part of the river will become a Riviera. Every Zimbabwean is looking for land here," says Mr Parker, who is campaigning to have the development blocked.

The fact that developers are actually wrangling over turf in Zambia is a measure of how far its tourism industry has travelled.

For decades its assets – the breathtaking Victoria Falls, Lake Kariba, the mighty Zambezi, the sandy beaches of Lake Tanganyika and the superb game parks of the Luangwa Valley – were one of Africa's best-kept secrets.

An unreliable national airline, poor roads, dreary state-owned lodges and a failure to market the destination internationally kept visitors away. Zambia's proximity to Zaire, where ebola fever outbreaks and rebel advances receive alarming foreign coverage, further conspired against it.

Of all the sectors of the economy, tourism was the slowest to respond to the privatisation process, held back by ministerial foot-dragging.

"We have never been shown a list of the lodges and campsites owned by the government," says Mr Stuart Cruickshank, technical director of the Zambia Privatisation Agency. "We understand that some 80 per cent have been bought, but we don't know who was involved."

That era appears to have ended. The privatisation agency is shortly to be handed complete responsibility for the state's remaining properties and in his latest budget the finance minister announced the establishment of an autonomous tourist board.

"At least a year has been lost, but there seems to be a new determination," says Mr Cruickshank. "The potential is enormous and there's a lot of interest from British, Zimbabwean and South African companies."

Zambia starts from such a low base that the room for expansion is vast. Predictions made four years ago by the then tourism minister that visitor numbers would reach 400,000 by 1995 have proved wildly optimistic. Official statistics show that only 166,260 tourists – one ninth of the numbers that visit Zimbabwe each year – came to Zambia last year, bringing revenue of $150m.

Even that number is suspect because industry operators complain that no accurate records are kept and the figure probably includes large numbers of businessmen and World Bank consultants rather than bona fide tourists.

Nonetheless, the industry's contribution to GDP growth amounted to 17.7 per cent in 1996. Playing a role in this increase has been the emergence of private airlines – Aero Zambia, Zambia Express, Eastern Air and Roan Air, partly owned by the copper conglomerate ZCCM – which replaced the defunct Zambia Airways, and a marketing exercise that has Zambia's delights displayed on the Internet rather than in the dingy windows of the existing Tourism Board and Ministry.

The private safari and lodge operators have given up the practice – mostly by necessity – of trying to cut each other's throats and have teamed up with the big hotel owners to form the Zambia Tourism Council in order to speak as one.

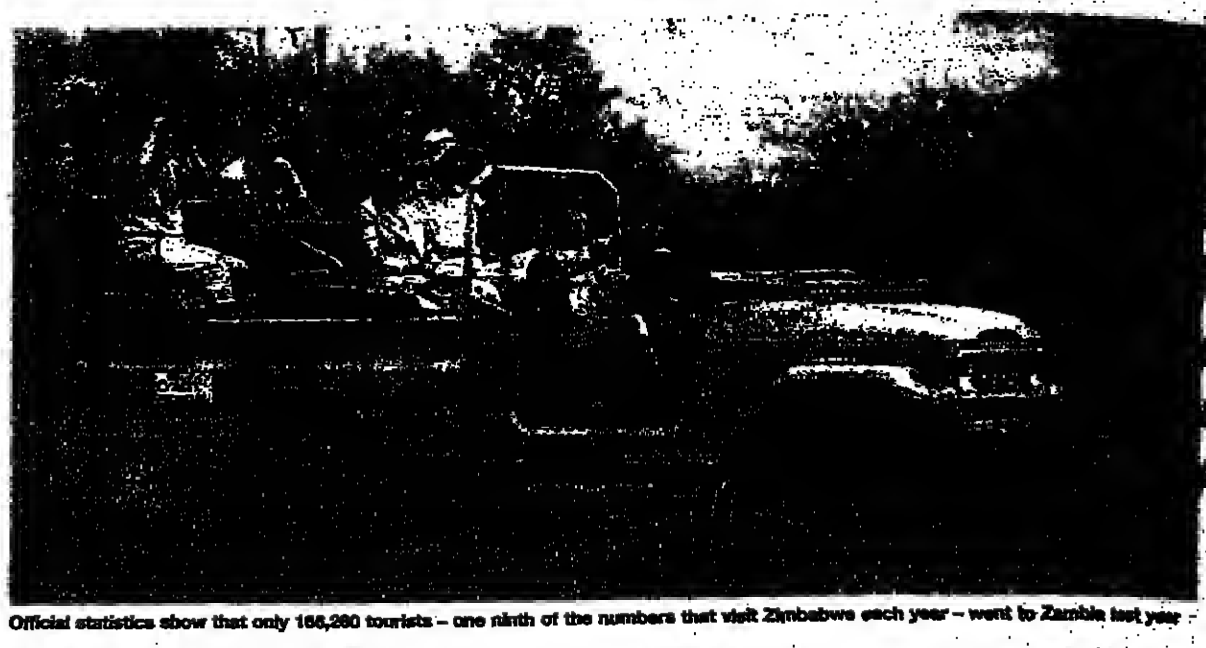
They have been encouraged by the dialogue they now enjoy with the government, largely due to the presence of Mr Xen Vlahakis, a private sector travel businessman, as permanent secretary at the Ministry of Tourism. "Five years ago, no-one in government would speak to any of the companies," said Mr Mark Harvey, deputy president of the council and representative for the safari operators.

The private sector is pleased that it has been invited to participate in the drafting of tourism, national parks and wildlife bills that might address such issues as the complex question of land rights in a country where much of the land is communally held and there are few records of title deeds.

Making a virtue out of necessity, Zambia's tourist operators are sniffy about the success of their counterparts in Zimbabwe and Kenya. They hope to avoid excessive commercialisation and develop Zambia as an exclusive destination.

"We can't compete with them because we don't have the infrastructure," said Mrs Agnes Seenka, acting chief executive of the Tourist Board. But she and most others in the business are keen not to have 20 vehicles circling one animal or a hamburger bar blotting the landscape on their side of Victoria Falls.

Applications for a cable car, an amusement park a[nd] a cage that would be lower[ed] into the Boiling Pot – whe[re] the spray from Victoria Fal[ls] billows up the gorge – ha[ve] been refused and anyo[ne] applying for lodge develo[p]ment must first carry out [an] environmental impa[ct] report.



Official statistics show that only 166,280 tourists – one ninth of the numbers that visit Zimbabwe each year – went to Zambia last year

AGRICULTURE • by Stephanie Gray

Outgrowers hold the key

Lonrho's lead could be a model for Zambian agriculture in general

Mr Ginty Melvill, a hard-headed cotton expert from Zimbabwe has introduced an outgrowers' scheme the success of which is critical for the Zambian economy if it is to continue its modest move away from near-total reliance on copper.

The scheme – regarded as a possible model for other export crops, and agriculture generally – could be an example for whatever replaces Zambia's collapsed farmer credit and marketing system. It has attracted the attention of the World Bank, the International Monetary Fund and the United Nations Food and Agriculture Organisation.

Mr Melvill is general manager of Lonrho Africa Agribusiness. His company provides timely supplies of seed, fertilisers, pesticides and tools at cost and on credit to 150,000 farming families tilling more than 100,000ha.

It pays a basic producer price, with bonuses linked to yields and to international prices for cotton lint.

Farmers who had become over-reliant on the state and needed retraining in land husbandry, are visited every fortnight by an extension officer whose earnings are linked to the farmers' performance. So far, repayments for 120 days credit are between 80 and 90 per cent. Repayment under the state system amounted to barely 10 per cent.

Lonrho's push into cotton, which has made a big contribution to revenue of $35m last year, up from $3.54m in 1994, was a consequence of a 1985 foreign exchange crunch which led the company into a joint venture with a government-owned ginnery in order to acquire hard currency for its other operations. It subsequently took government shares in the ginnery and has since tripled its processing capacity.

Mr Melvill believes the scheme, adapted from a World Bank model, will quadruple cotton production in the next few years and is an example of how the old government system should have worked.

Meanwhile non-traditional crops have done exceptionally well over the past year, as has agriculture overall, due primarily to two years of good rains.

The industry's contribution to gross domestic product rose last year from 16 to 23 per cent.

Floriculture has reaped the benefits of imported technical know-how, low-cost off-shore loans from donor and quasi-commercial sources, and cheap air freight following the demise of Zambia Airways – and has increased revenue from $3m in 1992 to $18m last year. Last month, more than 200,000 roses were produced for the UK Valentine's Day market.

Tobacco revenues have risen from $3.9m in 1994 to $10m in 1996. Income from coffee production almost doubled to $4m in the same period, partly due to reduced world supplies brought about by extensive frosts in South America. Prospects are promising too [...] soya, groundnu[ts] [...] paprika.

Apart from cotton [...] ever, the non-tr[aditional] exports are mainly the [pre]serve of about 700 comm[er]cial farmers only just [...] recovering from the cre[dit] crisis that resulted from t[he] combination of financial s[ec]tor liberalisation and mac[ro]economic stabilisation in t[he] early 1990s. This pushed real interest rates to lev[els] of up to 100 per cent a[nd] compound rates of up to [...] per cent.

It is the smallholders, p[ar]ticularly in maize produ[c]tion, who have been t[he] most recent victims of sh[arp] changes in government p[ol]icy. Ever since the 197[...] heavily subsidised ma[ize] production in the name [of] food security had been a g[ov]ernment priority. During t[he] 1980s, large numbers [of] smallholders essential[ly] became maize outgrow[ers] for the government. The f[ar]mer provided the land a[nd] labour, the latter the inpu[ts,] guaranteed prices, coll[ec]tion, storage and marketi[ng] services.

The farmers retain[ed] enough maize for subs[is]tence but were obliged [to] sell any surplus to the sta[te.] If the farmer's yield

Floriculture is flourishing: ros[es] from a CDC-managed 'agribusiness' near Lusaka

return were inadequate, [...] simply did not repay t[he] inputs loan – with little [or] no action taken against hi[m.] By the late 1980s, maize-[re]lated subsidies accounted f[or] as much as 16 per cent of t[he] national budget.

In 1993, the governme[nt] "bailed out" of the syste[m] and there was such an o[ut]cry it was forced to st[ep] back in and raise credit f[or] fertiliser. "We were damn[ed] if we did and damned if [we] didn't," says Mr Ernest Sic[...]inga, permanent secretary [of] the Agriculture Ministry.

A four-year agricultu[ral] sector investment pr[o]gramme, funded with $360[m] from the World Bank, nc[...] aims to address the issue [of] agricultural financing. B[ut] critics say it has become t[oo] unwieldy, too many projec[ts] have been put forward, a[nd] that reforms within the ag[ri]culture ministry have le[ft] many civil servants mo[re] preoccupied with intern[al] politics than effecti[ng] far-reaching policy change[s.]

But maize production [is] not nearly as important as [it] was 20 years ago and far[m]ers had already started mo[v]ing into more drought-tole[r]ant food crops. The share [of] maize in total plantings ha[s] fallen from 68 per ce[nt] between 1985 and 1990 to [...] per cent 1994-95.

All these painful changes a[re] starting to pay off, howeve[r.] The World Bank believe[s] agricultural GDP is capab[le] of expanding at about 5 p[er] cent a year to the year 200[0] even taking into account th[e] impact of drought.